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C. G. Wyckoff, President and Treasurer; Eugene I. Foley, Vice President; Arthur G. Gaines, Secretary. The information herein is obtained from reliable sources and while not guaranteed we believe it to be accurate. Single copies on newsstands in U. S. 50 cents Canada, 55 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O. New York, Act of March 3, 1879. Published every other Saturday.

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Celanese Corporation of America

AND DOMESTIC SUBSIDIARY COMPANIES

TEXTILES
PLASTICS
CHEMICALS

SALES OF $104,197,237, the highest in the corporation's history, were attained by Celanese Corporation of America in 1945. Consolidated net income for the year amounted to $7,613,489, equivalent to $2.82 per common share, after providing $11,650,225 for Federal income and excess profits taxes and special amortization charges.

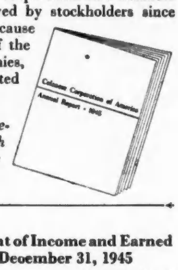
TRANSITION TO PEACETIME conditions as the war ended was accomplished with minimum delay. This was made possible due to the adaptability of synthetics to civilian needs and because many Celanese* products which contributed to the nation's war effort are basically the same as those required in the manufacture of civilian goods.

FOR EXAMPLE: *FORTISAN**, which gave new strength and lightness to parachutes and other military equipment, now becomes available for a wide variety of civilian needs—clothing, upholstery, and heavy industrial uses. The versatile plastics identified by the name *LUMARITH**, which proved their endurance on many war fronts, will now enlarge their usefulness in the manufacture of automobiles, new passenger planes, radios, home and electric appliances and in modern packaging.

NEW AND IMPROVED synthetic products are in prospect for the future. Among these is *FORTICEL*, the corporation's latest achievement in plastics, which will soon be ready for full scale production. During the year the new chemical plant at Bishop, Texas, began production of various chemicals from petroleum base materials. Cellulose acetate production facilities were expanded at the Celco, Virginia, plant and will be in operation shortly. Late in the year the corporation made arrangements to acquire a new plant at Belvidere, New Jersey, for the production of plastics, including Forticel, and other related products. The corporation's foreign operations were expanded through the formation of Viscosa Mexicana, S. A., for the production and sale of viscose process yarns in Mexico.

CONCENTRATION OF RESEARCH activities in a single central laboratory was started through the acquisition of buildings for that purpose in Summit, New Jersey, where eventually a large staff of chemists, physicists and technicians will be engaged in research and development work.

A CORPORATION with greater diversification of products and with assets of approximately $160,000,000 has been created by the merger of Tubize Rayon Corporation into Celanese Corporation of America, approved by stockholders since the end of the last fiscal year. Because of the complementary nature of the businesses of the two companies, important advantages are expected from the combined operations.



Celanese operations for 1945 are reviewed in the annual report which has just been published. A copy will be sent on request.

Condensed Consolidated Balance Sheet, December 31, 1945

ASSETS

Current Assets:		
Cash with Banks and on Hand		$32,830,128.62
U. S. Government Obligations (quoted market value $14,150,707.60)		14,151,760.35
Post War Refund of Federal Excess Profits Tax		1,045,544.11
Trade Accounts Receivable, less reserves		7,784,690.13
Other Accounts and Advances and Interest Receivable		528,985.63
Inventories (Raw Materials, Work in Process, Finished Goods and Supplies)—at cost or less, not in excess of market		9,013,845.41
Total Current Assets		65,354,954.25
Federal Tax Claims		2,484,753.16
Notes and Accounts Receivable—Deferred, less reserve		68,193.25
Investments—at cost (including foreign subsidiary—$970,127.38)		2,661,990.24
Land, Buildings, Machinery and Equipment—at cost	$98,880,738.90	
Less Reserves for Depreciation and Amortization	36,438,295.26	62,442,443.64
Prepaid Expenses and Deferred Charges		4,292,639.95
Patents and Trade-marks		1.00
		$137,304,975.49

LIABILITIES

Current Liabilities:		
Trade and Other Accounts Payable		$ 2,811,169.11
Accrued Liabilities		2,807,615.95
Reserve for Federal Taxes on Income, $9,428,305.98, less an equivalent amount of U. S. Treasury Tax Notes		
Total Current Liabilities		5,618,785.06
3% Debentures, due October 1, 1965 (of the amount outstanding at December 31, 1945, $31,000,000.00 is to be retired by April 1, 1965. Starting April 1, 1948 payments of $750,000.00 are to be made each six months until October 1, 1955, after which the payments are to be $1,000,000.00 each six months)		40,000,000.00
Reserves		3,307,401.19
Capital Stock:		
Authorized:		
First Preferred—500,000 shares, without par value.		
7% Second Preferred—148,179 shares, par value $100.00 per share.		
Common—1,750,000 shares without par value.		
Issued and Outstanding:		
First Preferred, $4.75 Series, Cumulative—350,000 shares	$33,425,000.00	
7% Second Preferred — 148,179 shares	14,817,900.00	
Common—1,737,072 shares	1,737,072.00	49,979,972.00
Surplus:		
Capital	22,332,693.59	
Earned (since December 31, 1931)	16,066,123.65	38,398,817.24
		$137,304,975.49

Condensed Consolidated Statement of Income and Earned Surplus for the Year ended December 31, 1945

Net Sales		$104,197,237.31
Cost of Goods Sold		68,925,204.93
Depreciation		4,604,090.66
Selling, General and Administrative Expenses		9,779,024.08
		83,308,319.67
Net Operating Profit		20,888,917.64
Other Income		371,846.11
		21,260,763.75
Income Deductions (including interest on debentures $1,196,757.01)		1,997,048.88
Net Income before Special Amortization and Federal Taxes on Income		19,263,714.87
Special Amortization Charges:		
Refinancing Expenses	$ 1,317,802.38	
Emergency Plant Facilities	3,332,422.88	
	4,650,225.26	
Federal Taxes on Income (including $6,070,000.00 Excess Profits Tax)	7,000,000.00	11,650,225.26
Net Income for Year		7,613,489.61
Earned Surplus at December 31, 1944		14,382,977.84
		21,996,467.45
Deduct:		
Cash Dividends:		
Common Stock—$2.00 per share	$ 3,230,502.00	
7% Second Preferred—$7.00 per share	1,037,253.00	
First Preferred Stock, $4.75 Series—$4.75 per share	1,662,588.80	5,930,343.80
Earned Surplus at December 31, 1945		$ 16,066,123.65

Statement of Capital Surplus for the Year ended December 31, 1945

Capital Surplus at December 31, 1944	$14,877,669.24
Add—Excess over stated value of 157,624 shares Common Stock sold in October 1945	7,524,438.00
	22,402,107.24
Less—Expenses in connection with sale of Capital Stock	69,413.65
Capital Surplus at December 31, 1945	$22,332,693.59

The foregoing balance sheet and statements are taken from the annual report, dated March 11, 1946 to stockholders of Celanese Corporation of America, and should be read in conjunction with such report which contains the certificate of Messrs. Peat, Marwick, Mitchell & Co., Independent Public Accountants, attached to such financial statements. A copy of the report to stockholders may be had upon application to the Corporation. The balance sheet, statements, and report do not constitute an offer, solicitation of offer, representation, notice, advertisement, or any form of a prospectus in respect of any security of Celanese Corporation of America.

*Reg. U. S. Pat. Off.

Executive and Main Sales Offices: **180 MADISON AVENUE,** ***New York 16, N. Y.***

Looking Into the Future

EDITORS too are faced with reconversion problems. And it is probably a good thing for in that way we are enabled to keep in tune not only with the national scene, but our readers as well.

In our work of coordinating the many factors which energize the trend of business, industry, and finance and presenting them to our readers in a considered and intelligible appraisal of their overall significance and effect, we feel that within the scope of our province we are contributing to the progress of reconversion.

At a time when there is much confused thinking and misdirection of effort, and the public is being assailed from many sides by a welter of pros and cons bearing on national issues, we at the Magazine are doing our utmost best to maintain an objective viewpoint, unbiased by propaganda, or diverted by superficiality.

How well we are succeeding, you as readers can best determine. We do not live in an ivory tower; nor are we smug in our presumptions as to what most interests our readers. Our regular editorial staff meetings are keynoted by the question "What would you like to know—what interests you most at this time? To supply the answers to these questions we step out of our editorial characters and become readers. But quite possible our answers would not be your answers. If they are not, we urge you to write and tell us. We would appreciate it as a helpful contribution to our efforts.

* * * * *

In this issue are authoritative discussions of two of the leading topics of the day. The first, "The Wage-Price Formula—Will It Work?" by Ward Gates, an experienced economist, begins on page 689. Mr. Gates not only presents a common sense analysis of the wage-price formula, but he approximates the possible effect which it will have on various leading industries.

The other article, written by our commodity expert, Norman T. Carruthers, and which begins on page 700, shows clearly how the price parity formula for setting farm prices works. This article discloses the extent to which the Farm Bloc has employed an out-moded tool to further their circumscribed interests and are now planning to use it as a lever for higher farm prices, to the further detriment of our economic balance.

This issue also presents our annual appraisal and survey of the dynamic chemical industry. Written by J. C. Clifford, the article is augmented by comprehensive statistics relating to the individual companies prominent in the industry. It appears on page 689.

Part II of our regular annual surevy of balance sheets and earnings statements of leading corporations starts on page 695, while Part IV of the Dividend Forecast, embracing Merchandise, Farm Equipment, Railway Equipment and Electrical Equipment shares begins on page 703.

Some timely and worthwhile suggestions are made by Joseph E. Cummings in his current article on home ownership on page 716.

IN THE NEXT ISSUE

PART V

1946 Re-Appraisals of Values, Earnings and Dividend Forecasts

☆ ☆ ☆

New Production Potentials Preclude Boom and Bust

By JOHN D. C. WELDON

☆ ☆ ☆

Appraisal of Foreign Demand for American Goods

By V. L. HOROTH

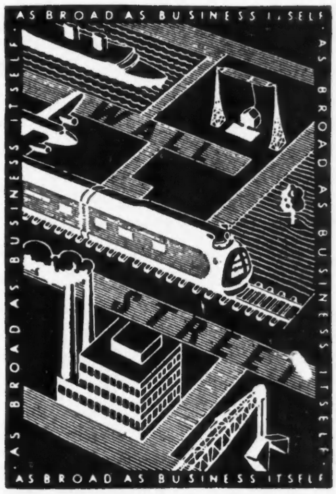
☆ ☆ ☆

10 Selected Companies With An Open Road to Higher Earnings and Dividends

By The Magazine of Wall Street Staff

THE MAGAZINE OF WALL STREET

C. G. Wyckoff, *Publisher*



The Trend of Events

WHERE DO WE STAND? . . . There are many of us who can never see the trees for the forest—to paraphrase an ancient proverb. This particular form of astigmatism seems to have afflicted an increasing number of people of late.

On all sides we hear vituperative complaints and dire predictions, along with a lot of political and economic double-talk about inflation, deflation and what have you. Superficial and ill-considered convictions of this sort can do a lot of harm if they become rooted. In the interests of truth and accuracy, therefore, let us look at the record and bring the business picture into sharper focus:

1. Industrial production, after reaching the lowest level since 1941 in January, is starting to edge upward again. New orders are increasing.
2. The basic steel industry is rapidly getting back to a full production basis.
3. Production of automobiles is increasing, albeit slowly. The showing would be much better if output was not still hampered by shortage of parts and castings.
4. Supplies of such consumer durable goods as refrigerators, vacuum cleaners, and radios, while still only a trickle, are increasing slowly.
5. Much needed textile goods will be made available by revised OPA ceiling prices.
6. Retail trade continues to display remarkable vitality, with nation-wide sales running well ahead of last year.
7. Unemployment remains well below the figures freely predicted last fall—about 2,000,000 compared with the forecast of 6,000,000.
8. Farm income promises to hold near the record breaking levels of 1945.
9. Individual incomes this year will total upwards of $120 billion.
10. Tax collections are holding up far better than the most optimistic estimates. In February for the first time in four years, the Government took in more money than it spent. A balanced budget this year is a live possibility.
11. Some profits will be squeezed temporarily, but there is an impressive number of industries which appear certain to better their pre-war earnings substantially this year.

No attempt is made here to gloss over the fact that the progress of reconversion has been delayed; much valuable time and millions of dollars in production, wages and savings have been lost through work stoppages. More strikes threaten and shortages of essential raw materials and parts may continue for some months. Wage, cost, and price relationships have been thrown out of line. And in Washington, bureaucratic attempts persist to nullify the basic laws of supply and demand and their function in a competitive economy. There is still room for much improvement.

But the trend is in the right direction. Business has forged ahead and will continue to do so; the profit motive is still a potent force which will bring into play the noted flexibility and ingenuity of American management. On the whole, therefore, it seems quite evident that the burden of proof is placed squarely on those pessimists who believe the country is rapidly "going to pot."

PROPAGANDA TACTICS . . . During the current battle over price-wage controls the public has been exposed to a constant barrage of verbal artillery by

all participants in the fray. That this offensive and defensive exchange of heated arguments is directed at the voter rather than at the contending sides is quite clear, for when the smoke drifts away it will be found that the final political and economic pattern has been shaped by the opinion of John Q. Public. In both quality and quantity, therefore, psychology weighs heavily in shaping the weapon of propaganda, and it is here that varying skill exhibited by the leaders may decide the day. While the average citizen likes a good scrap, he frowns when leaders over-play their hands and demand so much that newpaper readers or listeners on the radio awake to a threat upon their personal interests, or sense fanaticism in the claims. When Mr. Bowles, as a public servant, appeals for popularity by the use of such invectives as "greedy gimmeboys," it acts as a boomerang for it is a handy expression which could easily be applied to political aspirants, or labor, as well as to its intended target. Same thing is true of the billious utterances of Mr. Reuther in attempting to champion the CIO cause. Such strategy will lose him more supporters than he will win. As for management, while well considered restraint towards labor has marked the campaign, the recently published demands of the National Association of Manufacturers to do away with every form of price control were ill considered, regardless of their sincerity. Few people among our citizenry wish to empty their wallets in an inflationary explosion, although chances are that the majority will force Congress to spike the brazenly partisan program of the New Deal-CIO alliance. A sensible trimming rather than any amputation of price controls and labor laws is likely to result from the exaggerated tactics employed by most parties to the dispute. In contrast to much poorly conceived propaganda, that employed by The General Electric Company deserves the highest praise. Their appeal to the public, although addressed to their striking employees, was factual, temperate and most effective.

PRICES, WAGES, AND PROFITS . . . In support of demands for higher wages, the argument propounded by labor spokesmen, and tacitly accepted by the Administration, is that high wages are the arch support of prosperity. It is necessary only to ask a few leading questions and the fallacy of this thesis becomes crystal clear.

Just how much is a "high" wage? Do the proponents of the thesis mean "real" wages—what they will buy in terms of goods and services—or do they mean money wages? What is the present wage deficiency and how would they go about correcting it? Are they arguing the case for white collar workers, farmers, small businessmen, professional people and pensioners? If so, then of what avail is it to raise the wages of everyone when the inevitable effect is certain to raise prices along the line to a point nullifying any gain in money wages? Do they seek to use the lever of organization to raise the wages of some groups, at the expense of others?

The answers to these questions are controversial but in the final analysis there are certain irrefutable truths that cannot for long be disregarded or brushed aside as old fashioned.

Writing in the New York Times on September 24, last, Henry Hazlitt states a very common sense epitome of these truths:

"As to the prices, wages, and profits that should determine the distribution of the product, the best prices are not the highest prices, but the prices that encourage the largest volume of sales. The best wage rates for labor are not the highest wage rates, but the wage rates that permit full production, full employment, and the largest sustained payrolls. The best profits, from the standpoint not only of industry but of labor, are not the lowest profits, but the profits that encourage most people to become employers or to provide more jobs."

Prices, wages, and profits are not units apart but closely interrelated in delicate balance. Anything which has the effect of throwing this balance out of line will in time find adverse reflection in virtually every segment of our economy. And in maintaining this balance, much depends upon the people—the consumers, the managers, the investors — and the manner in which they spend their money, or use it in building new plants and creating new products, and invest it in new enterprises or lend it for new projects to create more employment.

ARE INVESTORS PEOPLE? . . . This question is raised because although nearly twenty million of them throughout the country have a lot in common, their voices are seldom heard. Now that major economic changes are under way which affect the welfare of themselves and their dependents, the time appears at hand when they should become more articulate, for their combined say-so in public affairs could and should carry much weight. Other kinds of organized pressure groups are broadly influencing national policies, but lack of cohesion has relegated a very important section of the public to the roll of helpless by-standers in their own economy. Their number is impressive, and also holding a stake in our industrial empire is everyone owning an insurance policy or bank book. Not only dividends and coupon payments are at stake but interest upon savings and the net cost of insurance premiums. According to Lewis W. Douglas, president of the Mutual Life Insurance Co. of N. Y., all companies in this business could have returned to policy holders more than $323 million in 1945 had interest rates been only 1% higher. By coordinated effort of investors and the great body of savers, a potent force of public opinion could do much to check undesirable financial and political trends and to help keep the economy on an even keel. Such a large proportion of our thrifty population consists of women that a get-to-gether move would be likely to get results. Dux femina facta.

As I See It!

By CHARLES BENEDICT

"I Call You!" Says USA to USSR

For the first time the statement of our foreign policy by Secretary Byrnes is in the American tradition. If these words are to be followed by realistic action, there will be no war between the United States and Russia.

The position of that country today is similar to that of the Germany of about two years ago—spreading over a vast area with long and difficult lines of communication. With one exception. Russia is not so well prepared industrially and agriculturally to fight a world war. It is well to remember that she was only able to fight on one front during this past war, and then only because we supplied the great bulk of mechanized equipment and foodstuffs. Russia did not fight in the Pacific. She merely walked into Manchuria and other far eastern territory after we had beaten Japan.

Thus far, outside of her struggle against Germany, Russia has relied on political infiltration and coercion to gain her ends and has succeeded beyond her wildest dreams because Moscow could always count on appeasement when pressure was put upon us.

This was possible for three reasons — (1) the "enigma" myth created by propaganda and designed to confuse our thinking as to Russian intentions, although commonsense thinking made her purpose clear as crystal; (2) because policy makers, lacking the background on which to base conclusions, permitted themselves to be guided by advisers who were deliberately misleading or wrong regarding both domestic and foreign sentiment; (3) because the open and callous breaking of verbal and written agreements by Russia threw consternation into allied diplomats, who could not understand such reckless contempt for world opinion, and didn't know just how to cope with it.

Russia worked this situation for all it was worth with the scorn a gangster has for those who rely on law and order.

One particularly cynical piece of propaganda undoubtedly put forth by Moscow with tongue in cheek, recommended that the USSR be given control over conquered territory in Europe because Russia had a plan and "we" had none. This suggestion was actually taken seriously in our press, where it created a hubbub of recrimination and affirmative opinion!

"UNCERTAIN WOOING"

Smith in The Lynchburg News

Those who looked into the Russian plan instead, found that the Soviets were attempting to carry out a program that followed closely the blueprint left by Peter the Great. This schedule called for domination of the Baltic States and Finland—enfeebling of the other European nations — suzerainty over the Dardenelles—a drive of conquest through Persia (Iran) to the warm ports on the Persian Gulf.

To these the Soviet government has added a few ideas of its own based on knowledge gained in the aftermath of World War I — the developments growing out of World War II — and a new comprehension of the varying needs for building and maintaining a great empire in a modern age.

This understanding has expressed itself in the pattern followed by Russian aggression in her spearheaded attack for the vast oil deposits in the Middle East, not only in Iran, but in Saudi-Arabia which could be readily sequestered by capturing the pipelines in Palestine.

As a short cut to economic domination of Europe, Russia has been maneuvering to hold control of Berlin with its position as key railway terminus of northern Europe — to (*Please turn to page* 726)

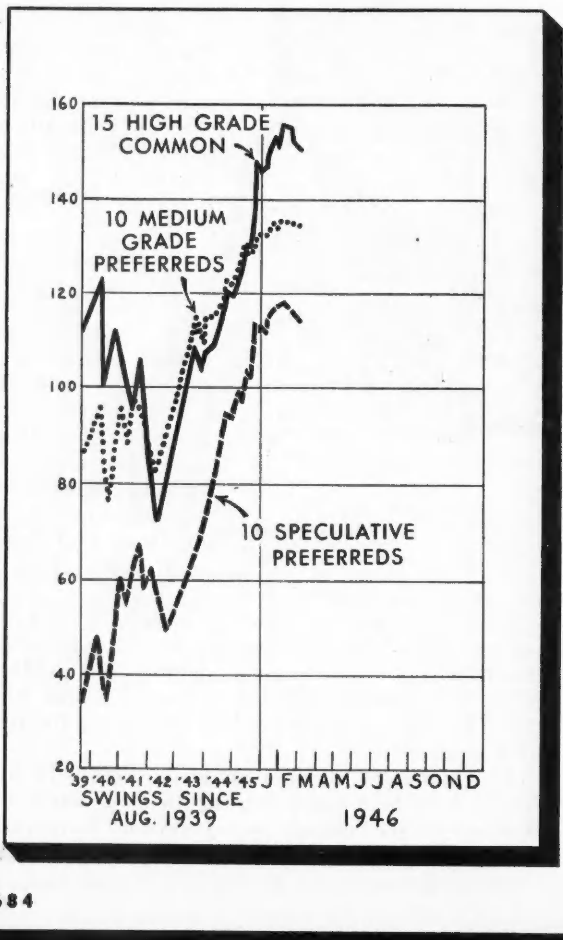
Projecting Market Outlook

The market has had a normal rally on low volume. Whether the previous lows of reaction hold on further test probably depends more on Washington price-control developments than on technical considerations. Meanwhile the visibility is poor. Caution and close selectivity remain in order for the present.

By A. T. MILLER

In modern markets, with little or no margin position to be shaken out, the severity and duration of an intermediate correction depend more upon psychological factors than upon the technical condition of the list; and the psychological factors have their origin usually in the sphere of government rather than economics.

At the recent lows in the averages the reaction, in percentage decline from the bull market highs, had approximated that of 1943, but with a considerable difference in the time element. You will remember that the fall of Mussolini in July, 1943, set up an "early peace" sentiment (badly mistaken, as events subsequently proved) which tumbled the Dow industrial average about 12 points in three weeks. Then came an irregular recovery making up over half of the loss, followed by a decline to ne lows at the end of November. The whole proce lasted about four and one-half months; and on th second phase of the intermediate reaction the lo made on the initial break was extended by approx imately 4½ points.



In the present instance the percentage loss o February 2 to 26 approximated that of the whol four and a half months' 1943 reaction; and at th writing there has been a rally which has cancelle about 45% of the loss in the Dow industrials. Th may go somewhat further, but the low volume on th recovery suggests that it is only a rally, rather tha a resumption of the major upward trend. If so, renewal of reaction is likely before long, testing th previous lows. Whether or not they are closely ap proached, or broken, is not primarily a technica matter, but a question of confidence (or lack of it in the medium-term profit outlook; and the key t this has to do with OPA.

The fact is that we now have in large measur "an OPA stock market." Investors would not b greatly concerned by strikes and higher wage cost if we had free-economy prices. But there is the rub The net effect of the Administration's wage-pric policy is to inflate operating costs and to restrict or even squeeze, profits in a number of industries and to leave almost all industries more or less sub ject to the "mercy" of OPA. When it was realize that this was the direction pointed to by the "re vised" wage-price policy, we got the severest reac tion in this bull market to date, and not by happen stance.

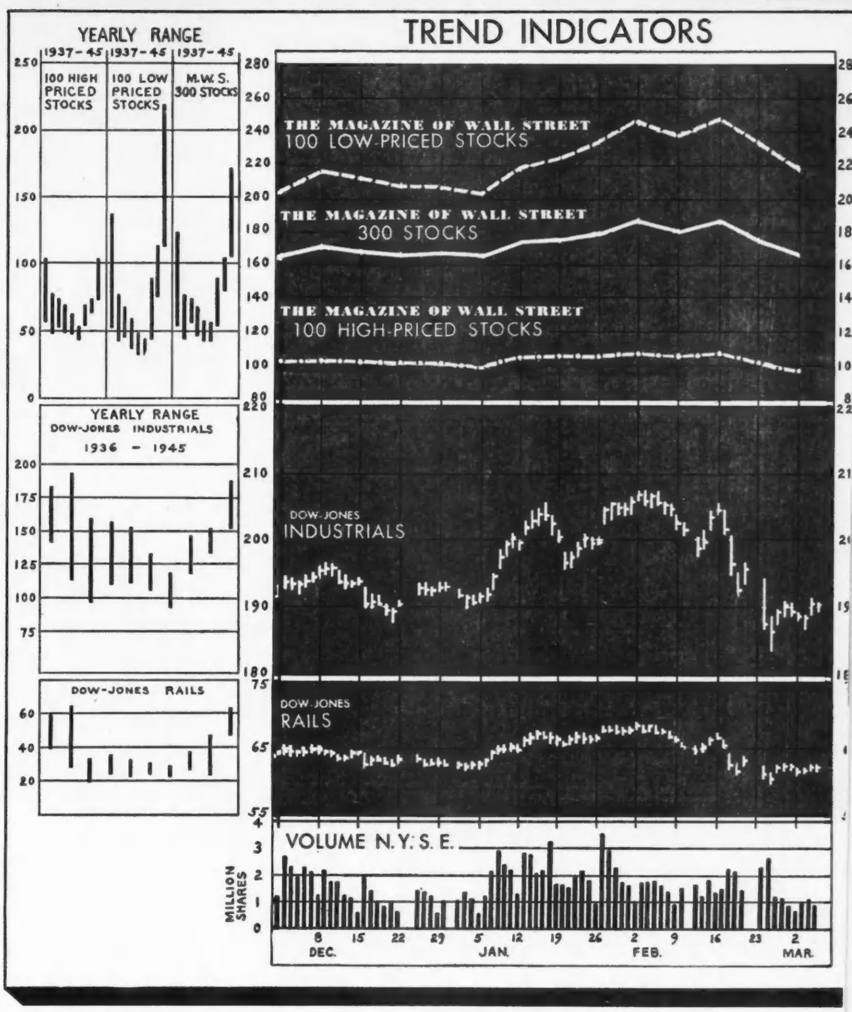
To be sure, OPA is raising price ceilings selec tively here and there, lowering none. That is matter of necessity, to get more production o specific items—and there is a political angle. Sinc it is fighting to get a one-year extension of life fro Congress, the agency is on the defensive and no trying to put its best foot forward. But the marke will not be "kidded."

Even where they are good, profits which are sub ject to bureaucratic say-so are to some extent sus pect and therefore carry lower market capitaliza tions than would the same profits in a free economy For example, good as are the earnings, and th market action, of retail trade stock, they would n doubt be better were it not for OPA. Here the bi profits (far above the prewar average) are a targe for OPA to shoot at. It is already moving in t

force retailers to absorb more of the higher costs of manufacturers; and gradually perfecting devices, such as "pre-ticketing", making it harder and harder for merchants to beat the controls by legitimate exercise of the flexibility inherent in retailing.

Even so, retailing — and a number of other consumer-goods lines — have far fewer OPA headaches than do most of the heavy industries. Broadly speaking, the industries faring worst under present Administration policy are the metal-working lines, such as steel, automobiles, household appliances, machinery, etc. Although there are exceptions which prove the rule, most of the dividend reductions or omissions are in such industries; most of the increases or extras are in the "light lines".

OPA is both a general market factor—adverse so far as it goes—and a factor in market selectivity. The latter influence is seen in the fact that consumer-goods stocks in most cases slumped least in the reaction to date, and have rallied the most. For instance, at last week's close, our composite index of 300 stocks had recovered only about a fourth of the loss of the preceding two weeks; but a number of consumer-groups had made up half, or more, of their decline. These included motion pictures, dairy products, drugs and toilet articles, food stores, liquors, mail orders, department stores and meat packing.



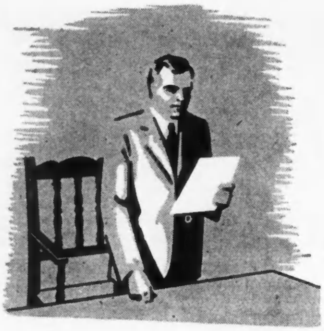
Of course, no one can say whether the lows of this corrective phase have been seen. It is possible. Technically, it might be a favorable omen that our index of 100 high-price stocks has acted much better than the index of 100 low-price stocks on the rally to date. Often the better-grade stocks lead in a turn-around. That is logical, as idle investment money shops around for good stocks made more attractive by reaction. But, in the final analysis, probably the question of whether we get another general selling wave heavy enough to carry the averages to new lows depends mainly on the news from Washington about OPA. We do not mean the news of what OPA is going to do, but the news of what Congress is going to do to OPA.

On this, there are some hopeful straws in the wind. The House Committee on Postwar Economic Planning has submitted a report, after a study over a period of five months "reluctantly" recommending a one-year extension for OPA but with a number of strings tied to it. Without going into this in detail, suffice it to say that under the proposed amendments OPA would be considerably less of a factor of concern in investment reckoning. This is not an "anti-New Deal" committee. In the writer's opinion, its liberalizing amendments may well be the least we can expect.

A more formidable threat to OPA is the Congressional coalition of Republicans and conservative Democrats. In the House it is already moving to "write the ticket" and to make the extended OPA a pale shadow of its former self.

We are not arguing for or against anything here, but considering the stock market. Obviously, what Congress does about OPA may radically affect the market for the better. It seems reasonably clear already that price policy will be liberalized—but how much is the question, and just how. It is too early to do more than guess. This matter is more important, to investors, than the displeasing foreign scene; for, despite a lot of talk, no sane person expects another war any time soon.

We cannot yet take a confident view of nearby market prospects, but will have our eyes open for opportunities in event of further reaction or more positive evidence of a significant shift in the key OPA sector.—Monday, March 11.



THE WAGE-PRICE Formula

Will It Work?

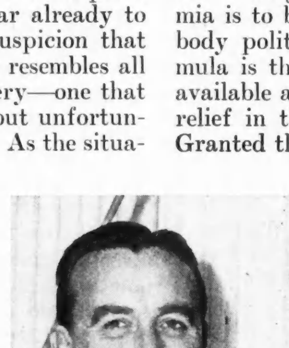
—with Appraisals of the Effects on Earnings of Leading Industries

By WARD GATES

THIS YEAR HOLDS in store for American business as well as for financial markets nothing of deeper significance than a correct solution of the enigma propounded here. Will President Truman's economic program work? If so, are the consequences likely to be ominous? Perhaps the simplest, if least satisfactory, answer to these all-important questions may be, "Yes—and No!"

Recourse to flippancy in discussing a subject so serious as this one is unpardonable, and the writer craves his readers' indulgence for this seeming "double-talk." No shallow impertinence is intended, of course, but rather an over-simplified description of confusing cross-currents that appear already to be developing. There is a growing suspicion that the latest remedy for our economic ills resembles all too closely a wonderful medical discovery—one that is unsurpassed in its curative powers but unfortunately has a tendency to kill the patient. As the situation clarifies, however, this gloomy viewpoint may prove to have been exaggerated.

The hopeful side of the picture lies in American ingenuity. Business instinctively rises to meet a challenge such as here presented. Our heritage of a free economy is too strongly cherished and has become too deeply rooted to be surrendered without a struggle or to be stifled by unnecessary regulations. The White House proposals represent part of a temporary adjustment, and the knowledge that price controls eventually are destined for discard may be expected to spur business men to survive in spite of crippling effects or to circumvent adversities being imposed.



Now we come in this round-about fashion to our seemingly frivolous yes-and-no answer. An unbiased judgment of the outlook appears to warrant the opinion that the new stabilization program probably will work, but it quite likely will involve many hardships and stir such resentment in some quarters as to raise grave doubts over its practicability. Yet it seems apparent that it *must work* (in part, at least), if the dangerous spread of a kind of industrial anemia is to be checked before it seriously weakens the body politic. Thus far, the Administration's formula is the only one politically feasible that seems available at present to offer a promise of long-range relief in the costly labor-management controversy. Granted that it would be politically, if not economically, dangerous to abandon economic controls while many essentials still are scarce, it seems to be a foregone conclusion that government authorities must insist upon broad acceptance of the formula even if it proves onerous in some respects.

Without a knowledge of the manner in which the policy is to be made operative as well as clearer indications of how it is to be applied, an economist or analyst would be rash in forecasting the probable results. A number of generalizations seem justi-

fied, however, and it may be worthwhile to examine these. Of primary importance, most observers agree that the "wage" side of the equation is likely to be made effective much more rapidly than the "price" factor needed to provide relief for harassed employers. Hence, available evidence points toward intensification of the squeeze on industrial profits that characterized many lines of business during the war. On this basis, justification seems to exist for renewed anxiety over earnings prospects. Disappointment over apparent failure of tax relief to bring the long awaited improvement in corporate financial results already has left its imprint in the market place.

Wage Increases An Accomplished Fact

Authorization of a wage increase pattern of 15 to 18 per cent, deriving from Washington pronouncements, presents a hazard of varying intensity. Obviously, effects will tend to become burdensome as the ratio of wage costs to selling prices of products advances. For example, in chemicals, oils, tobaccos, beverages, etc., labor cost factors are exceptionally low. As a help in appraising probable influences, the reader will find the accompanying graphic illustration helpful. It indicates latest earnings trends in leading industries, so that those which have been holding, and may continue to hold, an upward course may be quickly identified.

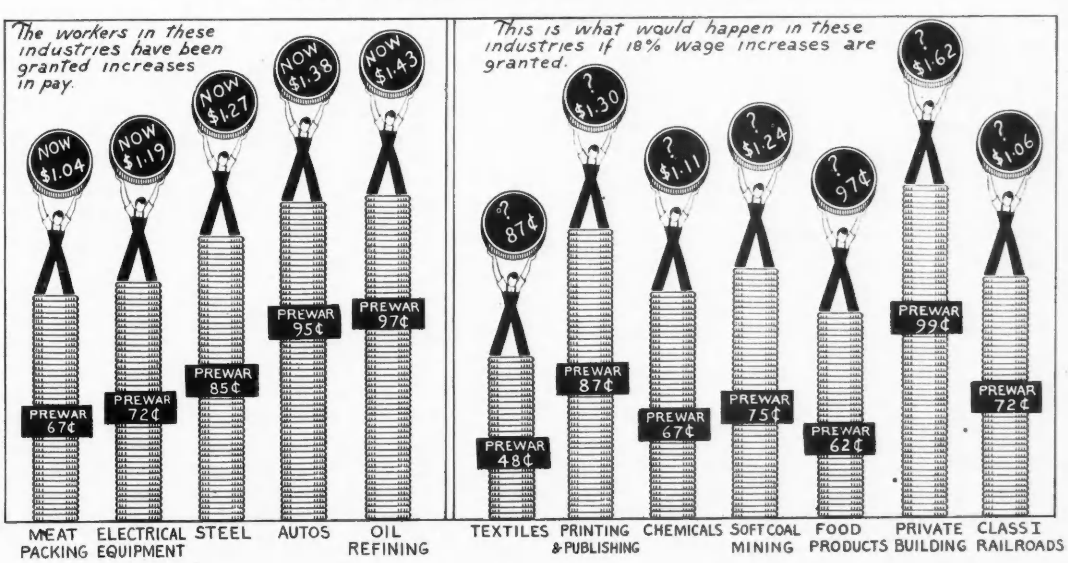
Before studying the new economic stabilization program more carefully to appraise its likely effect on business and on the securities markets, it may be well to summarize briefly some of the major reasons for the original premise in this commentary, namely, the contention that the plan probably will work, but that it *may not* finally solve the serious dilemma in which the capitalistic system finds itself now as it struggles to regain a type of free economy that the American public apparently felt would be restored at the end of hostilities. Accordingly, let us try to visualize the complete picture and see whether we can gain a better understanding of this new influence now being injected into the 1946 outlook. We shall want to estimate the probable effects on various industries to see to what extent previous optimistic views may need to be modified.

Over-all Effects of Formula

Before turning to an analysis of specific influences, we may generalize briefly and observe that those companies having greatest degree of control over raw material sources (and prices) as well as labor costs naturally will have greatest immunity from the impending squeeze on profits. On the other hand, the great bulk of concerns dependent on outsiders for supplies seem vulnerable and face the prospect of proving their need for price relief.

In the first place, the new formula threatens prolongation of the post-war labor unrest which has intensified the shortage of almost all types of goods. To all intents and purposes, labor has been invited to demand wage increases fitting roughly into the pattern adopted in settlement of major industrial disputes. Under the circumstances, it is only logical to expect unions which have not already won concessions to demand higher wage scales when new contracts are negotiated. The prospect of additional strikes already may be seen on the horizon in notices filed by the United Mine Workers as well as by other strongly entrenched unions. Extension of

COMPARISON OF HOURLY WAGES



such disturbances with their adverse effect on production can have only one result so far as corporate earnings statements are concerned.

Production Will Lag

Production seems likely to be retarded well beyond the time when wage increases have been granted and strikes have ended. Regardless of the White House promise of prompt action on price relief applications, it seems obvious that considerable time must elapse while government agencies study the outlook for individual industries. It is only natural to expect managements of companies caught in such an economic squeeze to hold back output until adjustments can be made. In the great bulk of manufacturing lines, it is apparent that price relief cannot be made effective after shipment of products to consumers. It seems probable, therefore, that there will be a tendency to defer shipments on contracts until higher prices can be made effective. The effect on volume of such a policy is obvious.

Inequality of the impact among various industries and even among different companies in the same industry seems likely to have a result that is not easy to estimate as yet. If it may be assumed that the OPA proposes under the new program to grant price relief on an industry-wide basis, it seems apparent that the most efficient producers stand to gain the greatest benefits. It is difficult to see how any other arrangement can be adopted to carry out the President's promise of reasonable adjustments. In other words, operating efficiency very readily could become a more important factor in measuring the outlook for any individual company.

Chances now seem to favor continuance of government control over prices and wages. This may be made effective through extension of the Price Administration's life, at least for the remainder of 1946 and possibly for the first six months of next year.

REVISED 1946 EARNINGS OUTLOOK FOR LEADING INDUSTRIES

Industry	*Earnings Trend*
AIRCRAFT MANUFACTURE	Sharply Lower
AIRLINES	Lower
AUTOMOBILE	Sharply Lower
AUTOMOBILE ACCESSORIES	Lower
BUILDING MATERIALS	Sharply Higher
CHEMICAL	Higher
DISTILLERS	Moderately Higher
ELECTRICAL EQUIPMENT	Moderately Higher
FOOD PROCESSING	Stable
MEAT PACKING	Moderately Lower
MOTION PICTURE	Moderately Higher
OIL	Moderately Lower
RAYON	Sharply Higher
RETAIL TRADE	Higher
STEEL	Stable
TIRES AND RUBBER	Sharply Higher
TOBACCO AND CIGARETTES	Moderately Lower
UTILITIES	Stable

Effects of Extended OPA

There are many reasons why Congress should go along on this idea of regulation and, moreover, there seems to be little effective organized opposition. That important group of purchasing agents—housewives—are all for Mr. Bowles and the OPA. Accordingly, if it may be assumed that the present setup is to continue, then it looks as though there may be a fairly rigid ceiling on corporate profits. So far as can be determined now, this projected limitation on earning power may prevent any notable improvement above the 1936-1939 average except under unusual circumstances. As a consequence, it seems necessary to modify the bright promise for 1946. Comparatively few companies may realize the substantial improvement that had been anticipated as a result of elimination of excess profit taxes.

Probably the outstanding effect of this new stabilization program in so far as investment policy is concerned is to emphasize anew the relationship of labor costs to sales volume. Those industries which may be little if any affected will be able to adjust more readily and probably will be less vulnerable to depressing influences. In other words, selectivity seems likely to be more evident than it has been in the last year or so. It is important, therefore, to attempt to measure the probable effect on major industries comprising the business structure.

On the basis of the few interpretations of policy already published, it is possible to draw several tentative conclusions. Some modifications may be necessary in these calculations as other rulings are handed down by the enforcement agencies. In general, the outlook appears more favorable for companies in industries subject to the least measure of control. In this category may be placed amusements, advertising, alcoholic beverages, oils and chemicals, including drugs and insecticides. At the other extreme where labor costs are not high and controls are effectively enforced more difficulties may be encountered. This group would include such industries as building supplies, automobiles and accessories, agricultural equipment, metal fabricators, heavy machinery, most mining enterprises including coal and non-ferrous metals as well as shipbuilding and railroad transportation.

The outlook for amusements, particularly motion

(*Please turn to page 740*)

Re-appraisal OF

CHEMICALS

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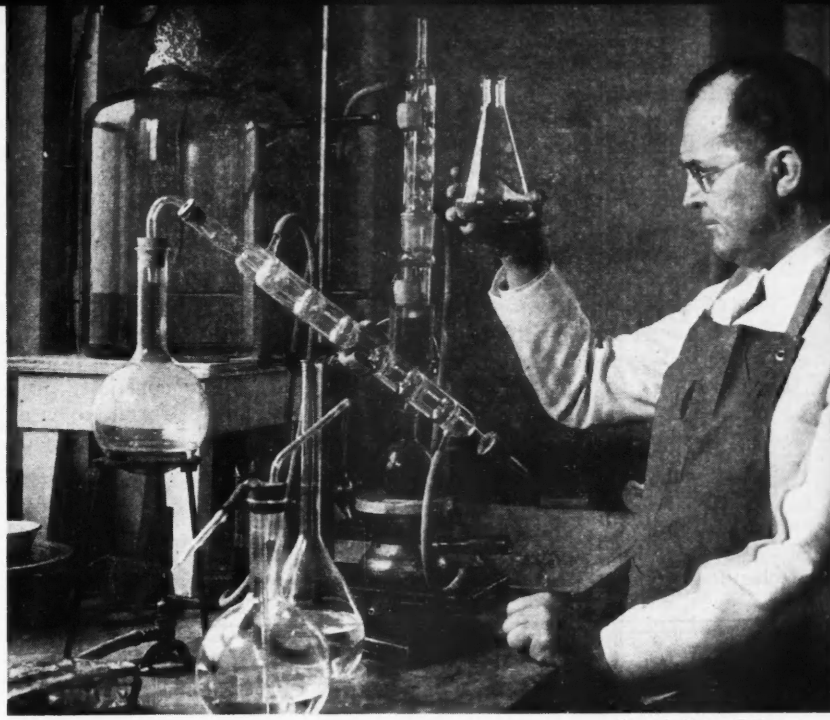

Photo by Ewing Galloway

Founded on research, the chemical industry continues to rely heavily on research to nurture its growth.

By J. C. CLIFFORD

IN PEACE AS IN WAR, the chemical industry plays an increasingly significant role in the nation's broad business picture, for it would be difficult to name an item in the category of either capital or consumer goods in which chemistry has not counted heavily. Everything from metal goods to fabrics, petroleum products to medicines, firecrackers to atomic fission, and finally the food on the family table, has become importantly based upon chemical research. The breadth of these markets, extending all over the world, has brought above-average and warranted confidence in volume and earnings potentials for decades past. With the war come and gone, investor interest is now focussed upon the current status of leading chemical producers and their prospects in the nearer and more distant horizon.

During 1945, as military demand gradually declined and all classes of industry lept into the reconversion struggle after VJ Day, volume of the chemical industry continued its downward trend from a near $2 billion peak achieved in 1943. For a few months to come the extent of this dip in sales will remain underterminable, but chances are that the trend will not break through the volume records of near-prewar years, and that after the current industrial strife has subsided, sales of the chemical industry will again climb, perhaps to levels well above prewar. Certain it is that demand will follow closely the encouraging upsurge in general industrial activity now seemingly to materialize later in the year. While Government needs for explosives and equipment will of course continue to fade, war-born chemical discoveries adaptable to civilian uses may well expand sales above their previous relationship to general industrial output, given reasonable time.

As for facilities, fear from some quarters has been expressed that huge plant expansion in war years might raise serious questions of over-capacity. Truth is, however, that while some $1.2 billion went into additional facilities from the time of Pearl Harbor to date, private industry accounted for only about a third of these outlays, Government-built plants operated on a fee basis representing by far the greater portion. As many now under Federal ownership were constructed for special purpose production, such as explosives, aviation gasolene, synthetics for rubber and the like, any excess capacity from these which may develop becomes a relatively minor threat to industry.

From its own increased capacity, the chemical industry sees only a welcome opportunity to meet an expected expansion in demand. Indeed, so confident are the leaders in the industry over conditions in the offing that, according to Mr. Lammot du Pont, a further expansion trend will add another $200 million in facilities within the next three years. Such outlays are not lightly undertaken by experienced managements in this conservative industry, and tend to strengthen optimistic appraisals of future volume expansion to meet growing demand.

At this juncture it should be pointed out that the chemical industry is so complex in definition that growth potentials for some of its segments are more clearly indicated than for others. If viewed in the light of peak wartime production, for example, products such as magnesium, industrial alcohol, ammonia, silica gel, oxygen and acetelene face a prospect of drastic demand shrinkage in relation to capacity. Basic chemicals, on the other hand, including sulphuric acid, caustic soda, chlorine, sulphur and various salts are favored by a stable and con-

sistently expanding demand. Essentials for the manufacture of plastics above all brighten the outlook for producers of these basic elements, as industry leaders predict that production of plastics will double every five years during the next decade.

Again referring to the ramifications of the industry, a significant trend has set in with many other enterprises to conduct chemical research—the established cause of major growth for chemical producers—on an independent and broad scale. Already the science of petroleum chemistry has achieved such remarkable results that measured by volume sales of chemical products the oil industry has outstripped those of the chemical industry proper. Some of the large rubber concerns also have spent, or plan to spend millions for chemical research, not to mention record breaking action by leaders in nearly every industry to expand their laboratory facilities.

But such activities to stimulate knowledge of chemical components, their treatment, combination and adaptation to new consumer products, enhances rather than detracts from potentials for the makers of the primary elements. Competition in the chemical industry differs importantly from that in other branches of the economy, in that few secrets long remain obscure to scientists and for that matter they are freely disseminated among chemists to an unusual degree. Brand names, to be sure, may enhance volume sales of finished products, but beneath the surface novelty is seldom present, or in any event not long concealed from the skilled eye of a competing chemist. The big race in the laboratories, therefore, is to develop entirely new materials of use for consumer products, rather than to rely upon secret formulae as an offset to competition, and even here only a thin barrier delays the advent of something very similar by other concerns.

Quite clearly the orderly and well proven growth of the chemical industry has resulted from a continuous outpouring of newly developed processes and materials for implementation into a vast array

Comprehensive Statistics Analyzing . . .

(figures in $ million)	Air Reduction	Allied Chemical	American Cyanamid	Atlas Powder	Columbian Carbon	Commercial Solvents	Dow Chemical
CAPITALIZATION:							
Bonds at par	24.500	......	18.968	......	......	......	11.250(a)
Pref. stock at market	......	......	17.784	8.575	......	......	34.656
Common stock at market	139.536	427.302	135.350	20.526	61,256	52.740	189.848
(shares outstanding in thousands)	2.736	2.214	2.707	256	1,612	2.637	1.249
Recent market price	$51	$193	$50	$80	$38	$20	$152.
Total capitalization	164.036	427.302	172.102	29.101	61.256	52.740	235.754
Long term debt	......	......	6.250	.522	......	......	......
INCOME ACCOUNT:	9/30/45**	12/31/44	12/31/44	12/31/45	9/30/45**	12/31/45	5/31/45
Gross Sales	64.752	274.104	N.A.	44.380	19.460	40.284(f)	124.570
Depreciation	3.002	15.785	6.558	1.070	2.462	.330	13.685
Taxes	4.811	27.170	12.000	1.935	1.950	4.780	16.267
Net available for bond interest (before taxes)	9.272	......	19.420	......	......	......	25.350
Bond interest	.522	......	.760	......	......	......	.265
Pref. div. requirements	......	......	.741	.343	......	......	1.519
Balance for common	3.938	18.025	5.919	1.072	2.348	2.033	7.219
Net operating margin	13.6%	16.4%	......	12.3%	20.4%	16.5%	17.7%
Net profit margin	6.0%	6.5%	......	3.2%	12.0%	5.0%	7.0%
% earned on capitalization, after taxes	......	9.4%	8.8%	6.0%	......	8.6%	7.8%
No. of times interest charges earned	17.7	......	25.5	......	......	......	95.6
Earned on common, per share—1945	$203†	......	$2.14†	$4.18	$1.99†	$.77	$6.02
Earned on common, % of market price	4.0%	......	4.3%	5.2%	5.2%	3.8%	3.9%
1936-44 Avge earnings per share	$2.69	$9.23	$2.01	$4.85	$2.08	$.80	$5.48
do., % of market price	5.2%	4.7%	4.0%	6.0%	5.4%	4.0%	3.6%
Dividend rate—1945	$2.00	$6.00	$1.25	$3.25	$1.45	$.75	$3.00
Dividend yield	3.9%	3.1%	2.5%	4.0%	3.8%	3.7%	1.9%
BALANCE SHEET:	12/31/44	12/31/44	12/31/44	12/31/45	9/30/45	12/31/45	5/31/45
Cash assets	33.150	128.798	43.157	8.768	8.615	13.531	40.390
Inventories, net	9.901	27.621	29.560	5.411	2.730	4.475	16.229
Receivables, net	10.056	18.949	14.141	4.071	2.764	3.161	12.090
Current assets	53.107	175.368	86.858	18.250	14.109	21.167	68.709
Current liabilities	18.881	35.185	31.882	4.377	4.271	2.266	28.112
Net current assets	34.226	140.183	54.976	13.873	9.838	18.901	40.597
Fixed assets, net	27.973	65.911	36.282	6.963	20.381	3.448	66.265
Total assets	90.323	294.174	138.932	31.735	38.890	26.669	146.147
Current asset value per share*	$10.45	$79.20	$17.29	$42.45	$8.75	$8.14	$21.65
Book value per share	17.15	107.35	22.91	55.47	20.35	9.08	58.91
Net current asset value per share*	3.55	63.31	5.51	25.35	6.09	7.27	......(c)
Cash asset value per share	12.11	58.17	15.98	34.25	5.34	5.20	32.31
Current Ratio	2.8	5.0	2.7	4.2	3.3	9.2	2.4
Inventories, % of sales	......	10.1%	......	12.3%	......	11.2%	13.1%
Inventories, % of current assets	18.6%	15.7%	34.0%	30.0%	19.5%	21.3%	23.8%
Depreciation, % of gross fixed assets	......	5.7%	7.3%	5.2%	......	2.5%	11.0%
Sales, % of total market value of common stock	......	79.1%	......	221.9%	......	76.4%	65.5%
Price-Earnings Ratio	25.1	......	23.3	19.1	19.0	25.9	25.2

*After allowing for senior securities. **For 9 months ended September 30, 1945. †For 12 months ended September 30, 1945. N.A.—Not Available. (a)—All funded debt redeemed September 1, 1945. (c)—None available after senior obligations. (b)—2-for-1 split to be voted on March 19, 1946. (f)—Excludes Federal withdrawal tax on neutral spirits of $64.6 million. (g)—Issued Dec. 15, 1945, $7.5 million 15 year 3% notes.

of end-products. Seldom do the primary materials of the chemical manufacturer appear to the consumer of these manifold items, although unconsciously he contributes a penny here and a penny there to an industry which now ranks about twelfth in the over-all industrial roster, and which not only may be counted upon to hold its place but rationally may gain increasing importance. History has proven that while cyclical influences naturally affect volume in good and bad periods, their impact is much less weighty than for their industrial customers. This absence of spectacular gains or shrinkage in sales over an extended period finds reflection in a relative and similar stability of earning power which in turn promotes satisfaction among investors reliant upon assured income, although the yield may be moderate, as assuredly is the case under current conditions.

Earningswise, the industry in general suffered a moderate decline in 1945 compared with the previous year although year-end tax adjustments in many instances may have offset some shrinkage in pre-tax income. Currently, it seems likely that with so many industries in a struggle against interrupted production, due to the strike wave, former glowing prospects of a rapid upturn in volume and profits for the chemical manufacturers have been temporarily dimmed. For an interim period, in fact, sales may prove to have been considerably restricted, but in view of record strong financial positions and the industry's ultimate promise, dividend payments by the larger concerns are likely to be continued as usual.

When the clouds do clear away, as they must and will, certain factors will combine to sustain or enhance earnings potentials for the industry. In the first place, chemical manufacturers are highly mechanized and their wage problems rank correspondingly low when it comes to figuring operating income. In relation to over-all costs, the average wage factor amounts to only perhaps 10%. Thus while both wages and material (*Please turn to page* 741)

.. *Position of Leading Chemical Companies*

	duPont Chemical	Freeport Sulphur	Hercules Powder	Mathieson Alkali Works	Monsanto Chemical	Texas Gulf Sulphur	Union Carbide & Carbon	United Carbon	Victor Chemical	Westvaco Chlorine	United States Industrial Chemical
	....	....	....	....	....	....	....	....	....	....	....
	219.570	....	11.745	4.680	22.860	....	....	....	....	10.282	....
	034.229	40.800	163.184	24.012	171.180	192.000	925.446	30.646	30.000	13.767	22.236
	11.122	800	1,316(b)	828	1,268	3,840	9.073	398	750	353	436
	$183	$51	$124	$29	$135	$50	$102	$77	$40	$39	$51
	253.799	40.800	174.929	28.692	194.040	192.000	925.446	30.646	30.000	24.049	22.236
	....	....	....	....	....	....	....	....	.240	....	........(g)
	2/31/45	12/31/45	12/31/45	12/31/45	12/31/45	12/31/45	12/31/45	12/31/45	12/31/45	9/30/45**	3/31/45
	631.575	20.940	100.556	19.590	95.340	33.965	N.A.	$14.458	$16.548	14.089	40.536
	46.127	.423	4.517	1.830	7.490	1.886	37.686	2.242	.486	.773	1.095
	79.240	2.000	9.364	1.100	9.856	8.300	58.315	.512	2.160	.760	1.675
	....	....	....	....	....	....	119.618	....	....	....	....
	....	....	....	....	....	....	.583	....	....	....	....
	7.600	....	.525	.166	.890	....	....	....	....	.304	....
	69.921	3.349	4.422	.982	4.428	9.993	37.889	2.263	1.128	.590	1.690
	19.4%	26.4%	16.1%	11.2%	15.8%	47.0%	....	24.3%	19.6%	12.6%	7.0%
	11.1%	15.9%	4.9%	5.8%	5.6%	29.3%	....	15.7%	6.8%	6.3%	4.2%
	10.0%	13.4%	11.0%	5.0%	8.1%	17.5%	12.2%	12.1%	12.0%	5.0%	8.0%
	....	....	....	....	....	....	206.2	....	....	....	....
	$6.29	$4.18	$3.36	$1.19	$3.49	$2.60	$4.20	$5.69	$1.50	$2.19†	$4.49
	3.4%	8.2%	2.7%	4.1%	2.5%	5.2%	4.1%	7.3%	3.7%	5.6%	8.8%
	$6.45	$3.05	$3.44	$1.46	$3.82	$2.34	$3.93	$4.66	$1.37	$2.25	$2.27
	3.5%	6.0%	2.7%	5.0%	2.8%	4.6%	3.8%	6.0%	3.4%	5.7%	4.4%
	$5.25	$2.12½	$2.50	$1.00	$2.25	$2.50	$3.00	$3.00	$1.10	$1.40	$2.25
	2.8%	4.1%	2.0%	3.4%	1.6%	5.0%	2.9%	3.9%	2.7%	3.5%	4.4%
	2/31/45	12/31/45	12/31/45	12/31/45	12/31/45	12/31/45	12/31/45	12/31/45	12/31/45	9/30/45	3/31/45
	208.729	16.791	28.058	8.430	18.878	28.551	139.945	1.620	3.507	6.049	5.617
	90.974	4.933	16.030	2.446	14.398	13.837	80.067	1.630	2.993	2.309	8 993
	47.726	1.995	6.215	1.761	10 625	3.369	61.559	1.648	1.088	1.308	3.965
	347.429	23.719	50.303	12.637	43.901	45.757	281.571	4.898	7.588	9.666	18.575
	62.585	5.589	15.454	2.307	7.140	9.411	92.712	1.513	1.160	.888	6.666
	284.844	18.130	34.849	10.330	36.761	36.346	188.859	3.385	6.428	8.778	11.909
	225.301	3.052	16.959	13.963	30.480	21.386	117.117	14.545	4.074	8.436	9.703
	921.594	32.158	71.958	28.076	79.504	68.967	428.077	21.739	11.860	18.615	32.728
	$16.05	$29.65	$31.65	$12.39	$18.07	$11.91	$31.28	$12.25	$9.80	........(c)	$42.60
	50.94	31.33	28.87	27.48	34.53	15.47	34.31	50.83	12.49	$22.61	69.14
	10.42	22.66	19.15	9.60	12.43	9.46	20.98	8.47	8.25	........(c)	27.31
	18.76	21.99	21.30	10.18	14.89	7.43	15.54	4.05	4.67	17.13	12.88
	4.2	4.2	3.2	5.5	6.2	4.8	3.0	3.2	6.5	10.8	2.8
	14.4%	23.5%	16.0%	12.4%	15.1%	40.7%	....	11.3%	18.1%	16.5%	22.4%
	25.9%	20.8%	31.8%	19.4%	32.7%	30.1%	28.6%	33.2%	39.3%	24.0%	48.3%
	9.0%	3.8%	8.1%	4.6%	10.7%	4.3%	10.1%	5.9%	6.2%	....	4.5%
	31.0%	51.3%	61.7%	81.6%	55.7%	17.6%	....	46.6%	55.1%	....	184.2%
	29.0	12.2	36.9	24.3	38.6	19.2	24.2	13.5	26.6	17.8	11.3

Happening in Washington

Photo by Cushing

By E. K. T.

ELECTION YEAR jitters have seized members of Congress and they're trying desperately to find an escape from continuance of the Selective Service Act after the May 15 expiration date. Favored proposition is to make military service attractive enough to win volunteers, especially in the Marine Corps, traditionally the army of occupation. Higher pay, earlier retirement benefits are being urged. Practical problem is found in the fact that the draft fountain has been pretty much dried up since fathers and men over 26 years of age no longer are being taken and most of the others, except 4-F's, already are in uniform or have served, been discharged, and not subject to further call.

WASHINGTON SEES

If the "eat less" campaign accomplishes the high purpose to which it is pointed, it will be a surprise to many persons close to the pressing issue of staving off starvation in foreign lands.

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It isn't Europe alone; General MacArthur is preparing a statement on Japan's needs which will stagger food procurement agents. The items will be staples, but the quantity will be enormous. Wheat is the basic for both continents. Raised here is the question whether it can be procured and shipped soon enough to bring desired benefits.

PUBLIC UTILITIES employees, by striking or threatening to strike are moving Congress to the brink of a legislative control aimed at preventing work stoppages affecting the general public. The principle of government regulation long applied to monopolistic business interests is headed for extension into the employee field. Wartime powers to seize railroads and mines have been invoked, but they were after-the-fact steps and have other limitations. Several bills have been introduced with loss of collective bargaining rights the only enforcement weapon found so far. Public opinion, locally articulate, has failed up to now to make a serious impression on a national scale.

VETERANS soon may be able to go into business with practically all of their capital guaranteed by the federal government. Private business men who make up the Commerce Department Small Business Advisory Committee have drafted the plan and Secretary Wallace has indorsed it. Required would be 25 per cent of required investment with a long term bank loan covering the balance, the government insuring 90 per cent of the bank loan. War veterans already are eligible for GI loans with federal guarantee of 50 per cent of the amount up to $2,000. That, Wallace believes, should cover the 25 per cent required of the veteran, at the same time place smaller banks back in the "Character Loan" business.

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AS WE GO TO PRESS

Government is showing signs of sincere intent to get out of the manufacturing business. Of 628 government-owned industrial plants used by the War Department, 504 have been declared surplus and available for private purchase. This represents an investment of $3,815,000,000 leaving facilities worth $144,000,000 in the category of continuing usefulness.

Not all plants currently marked for retention will be continued as production centers. Some will be converted into non-industrial military installations — depots and warehouses. Others will be kept tooled but not actively operated. They will be "standby" against possible emergency requirements.

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United States efficiency in speeding materials to Moscow through the Persian Gulf Command has given the Kremlin a two-fold interest in strengthening its position in Iran. The obvious one is economic; the less obvious is the realization that such aid could be rushed as readily against Russia.

Weighed here is the proposal that a three-power syndicate with United Nations supervision be created. Preliminary talks indicate Iran would prefer such an arrangement. Its independence depends upon its inter-dependence. That Russia's major idea is one of strategy is shown by the fact that she now has a concession near Teheran and doesn't bother to operate it.

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Happening in Washington

Photo by Cushing

By E. K. T.

ELECTION YEAR jitters have seized members of Congress and they're trying desperately to find an escape from continuance of the Selective Service Act after the May 15 expiration date. Favored proposition is to make military service attractive enough to win volunteers, especially in the Marine Corps, traditionally the army of occupation. Higher pay, earlier retirement benefits are being urged. Practical problem is found in the fact that the draft fountain has been pretty much dried up since fathers and men over 26 years of age no longer are being taken and most of the others, except 4-F's, already are in uniform or have served, been discharged, and not subject to further call.

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Suggestion that British securities be sold directly to American investors already is rejected by a majority of Congress members who regard that plan impracticable and inexpedient. The proposed loan is of a political type that no private investor should be asked to carry either in whole or in part, leaders of both political factions agree.

Treasury Department takes the position that the amount involved is much too large to be floated in this market as a private loan. Moreover, the credit is designed to enable Britain to enter into commercial and financial arrangements believed to be advantageous to this country as well as the borrower.

History of the post-war period three decades ago hasn't been forgotten. Then, American investors were induced by high-pressure salesmanship to put their money into foreign obligations that proved to be bad risks. Result was wholesale defaults which engendered ill will on both sides.

Under-sold as an asset which Britain offers is the post-war tourist trade which will bring dollars into its coffers. Temporary residence of hundreds of thousands of GI's, England will be visited by them and their families, much the same as France was visited after World War I.

Conservative estimate which Great Britain, purposely, writes down is 2 billion dollars annually. That's United States dollars. The Labor Government, recently placed in the driver's seat can be expected to launch a campaign next summer to encourage tourist trade on a sentimental basis. To the extent that it clicks, there must be upward revision of the 2 billion dollar mark.

Office of Price Administration is stepping up its police force. It is adding 750 more enforcement officers to go after what Chester Bowles and Paul A. Porter describe as a rapidly growing black market in building materials and construction. The price agency also is putting much of its energy into rent control as other programs taper off.

Over-publicized by OPA is the fact that rent control has been dropped in 30 areas. Under-publicized is the truth that this control was scheduled for discontinuance as of March 1 in 60 areas. And, almost unmentioned, is that fact that 17 areas have been added. A number of university and college towns are being watched for the first time — due to the influence of GI students — and they may be included later.

Russia, with about one-third of the total forest area of the world, is ready to enter into the export business with a goal of 50 per cent increase in 1946 over shipments in the best pre-war year. Mechanization and technical improvements will take the Soviet out of the import field in the next few months, make possible substantial exports before 1947, Department of Commerce reports.

With independence in sight, Philippines have suddenly discovered latent oil resources which, propagandists of local sovereignty say, will take care of the economic obstacle to separation from the United States. Northern Cebu is considered the best source. A beginning had been made in 1942 but machinery was destroyed when the Jap advance began and a new start must be made.

Housing and home furnishing industries and retailers see more than a romantic aspect to the marriage market of the post-war era. During January 1946, 48.4 per cent more marriage licenses were issued than during the same month of 1945. The great majority of bridegrooms were former servicemen, each with a "nest egg."

Evaluating
Financial Positions, Profit Margins and PROSPECTS
Part II

. . . based on latest Balance Sheets and Indicated Earnings

★

By H. S. COFFIN

As the tide of corporate annual reports covering operations for 1945 mounts rapidly, their examination becomes of progressive interest to investors at the termination of perhaps the most significant year in our economic history. One after another of giant enterprises, presents in concrete form for shareholder inspection its final chapter based largely upon a gradual transition from wartime conditions to those of peace. While progress during last year was rendered abnormal by the dual impacts of VE Day and VJ Day, with their attendant cancellation of military contracts, and the last quarter involved the supreme test of reconversion in many instances, the final tally discloses to what extent each concern has braced itself for tackling the big job now unfolding in 1946.

Composite Balance Sheet

In the last issue of the Magazine of Wall Street we discussed the balance sheets and earnings of a number of individual concerns in the light of their 1945 reports, pointing out various trends which appeared to be in the making. Now, however, it has become possible to combine the figures of a good many concerns to produce more of an over-all picture of their composite financial status at the year-end. The National City Bank of New York, for example, has drawn up a composite balance sheet of 120 manufacturing concerns having annual sales or total assets over $5 million, a reproduction of which is appended. While the number of concerns used in this tabulation is relatively small, the figures clearly emphasize certain trends discussed in our previous article and which we will again point out in studying a few more reports of individual concerns for 1945.

Broadly viewed, the most significant change revealed by the composite statement, compared with relative figures for the previous year is the rapid and substantial increase in liquidity achieved during the tewelve-months period. Current liabilities for the group shrank by $298 million although current assets declined by only $31 million. Had it not been for abnormally large purchases for inventory by a few sizeable tobacco concerns, the striking improvement in current ratio would have been even greater. Cash and Government securities declined somewhat and receivables contracted sharply because of promptly settled war contracts.

As a result of the above changes, total assets fell by $225 million, along with a corresponding drop in total liabilities. A major shrinkage in tax liabilities amounting to $192 million was occasioned by deduction of substantial sums from refunds held in reserves or arising from accelerated amortization of war facilities. The privilege of cashing in post-war tax bonds at the end of the year, a class of assets previously described in balance sheets as "other assets", weighed heavily in enhancing the retirement not only of current liabilities but of $61 million in so-termed deferred liabilities as well. In this latter category were large amounts of term loans which had been established to finance war production, and now possible of rapid liquidation. Working capital soared impressively for a gain of $267 million, accumulated expansion during war years of this item placing the group in record good shape to carry on in 1946.

While a net change on the downside for property

COMPOSITE BALANCE SHEET OF 120 MANUFACTURING COMPANIES WITH SALES OR TOTAL ASSETS OVER $5 MILLION

	Dec. 31, 1944	Dec. 31, 1945	Change
	(in millions of $)		
ASSETS			
Cash	$547	$529	—$18
Gov't securities	555	538	— 17
Receivables, net	631	511	—120
Inventories, net*	1,736	1,860	+124
TOTAL CURRENT ASSETS	3,469	3,438	— 31
Plant and equipment	2,535	2,529	— 6
Less depreciation	1,317	1,483	+166
Net property	1,218	1,046	—172
Other assets	393	371	— 22
TOTAL ASSETS	5,080	4,855	—225
LIABILITIES			
Notes payable	206	218	+ 12
Accts. payable & accruals*	502	384	—118
Reserve for taxes	729	537	—192
TOTAL CURRENT LIAB.	1,437	1,139	—298
Deferred liabilities	527	466	— 61
Reserves	173	170	— 3
Capital and surplus	2,943	3,080	+137
TOTAL LIABILITIES	5,086	4,855	—225
WORKING CAPITAL	2,032	2,299	+267
Current Ratio	2.41	3.02	+ .61

* Includes Advances on Government Contracts.
Source: National City Bank of New York.

AMERICAN TOBACCO CO.

	Dec. 31, 1944	Dec. 31, 1945	Change
	(in millions of $)		
ASSETS			
Cash	$59,100	$22,507	—36,593
Tax Refund Bonds	1,765	3,826	+ 2,061
Receivables, net	32,189	27,205	— 4,984
Inventories, net	260,798	334,453	+73,655
U. S. tax notes	8,181	....	— 8,181
TOTAL CURRENT ASSETS	362,033	387,991	+25,958
Plant and equipment	42,092	42,802	+ 710
Less depreciation	22,709	24,108	+ 1,399
Net property	19,383	18,694	— 689
Other assets	81,910	76,824	— 5,086
TOTAL ASSETS	463,326	483,509	+20,183
LIABILITIES			
Notes payable	5,793	37,000	+31,207
Accts. pay. and accruals	11,426	9,755	— 1,671
Reserve for taxes	31,662	26,403	— 5,259
TOTAL CURRENT LIAB.	48,881	73,158	+24,277
Deferred liabilities	201	105	— 096
Minority interest	955	955	....
Long term debt	189,040	183,074	— 5,966
Capital	153,119	153,119	....
Surplus	71,130	73,098	+ 1,968
TOTAL LIABILITIES	463,326	483,509	+20,183
WORKING CAPITAL	313,152	314,833	+ 1,681
Current Ratio	7.4	5.3	— 2.1

AMERICAN TEL. & TEL. CO.

	Dec. 31, 1944	Dec. 31, 1945	Change
	(in millions of $)		
ASSETS			
Cash	$63,595	$64,203	+ 608
Temporary cash invest.	389,295	396,346	+ 7,051
Receivables, net	201,109	217,910	+16,801
Material and supplies	43,189	50,717	+ 7,528
TOTAL CURRENT ASSETS	697,188	729,176	+31,988
Plant and equipment, net	3,636,632	3,658,266	+21,634
Investments in subsidiaries, not consolidated	199,731	198,966	— 765
Other investments	57,590	54,605	— 2,985
Other assets	74,376	72,781	— 1,595
TOTAL ASSETS	4,665,517	4,713,794	+48,277
LIABILITIES			
Accts. payable & accruals	218,119	295,813	+77,694
Reserve for taxes	344,286	318,026	—26,260
TOTAL CURRENT LIAB.	562,405	613,839	+51,434
Deferred liabilities	10,929	14,370	+ 3,441
Short term debt	26,462	5,086	—21,376
Long term debt	1,345,889	1,263,640	—82,249
Capital	2,343,575	2,452,390	+108,815
Surplus	376,257	364,469	—11,788
TOTAL LIABILITIES	4,665,517	4,713,794	+48,277
WORKING CAPITAL	134,783	105,337	—29,446
Current Ratio	1.2	1.1	— .1

CLUETT, PEABODY & CO.

	Dec. 31, 1944	Dec. 31, 1945	Change
	(in millions of $)		
ASSETS			
Cash	$4,117	$4,014	— 103
U.S. & Can. Gov't securities	2,553	2,043	— 510
Receivables, net	4,546	3,737	— 809
Inventories, net	10,852	11,642	+ 790
Other current assets	....	....	....
TOTAL CURRENT ASSETS	22,068	21,436	— 632
Plant and equipment	10,093	9,999	— 094
Less depreciation	6,754	7,054	+ 300
Net property	3,339	2,945	— 394
Other assets	357	319	— 038
TOTAL ASSETS	25,764	24,700	—1,064
LIABILITIES			
Notes payable	....	....	....
Accts. payable & accruals	1,672	1,514	— 158
Reserve for taxes	2,801	1,749	—1,052
Other current liabilities	....	....	....
TOTAL CURRENT LIAB.	4,473	3,263	—1,210
Deferred liabilities	200	160	— 040
Short term debt	....	....	....
Long term debt	2,625	2,250	— 375
Reserves	423	423	....
Capital	7,803	7,803	....
Surplus	10,240	10,801	+ 561
TOTAL LIABILITIES	25,764	24,700	—1,064
WORKING CAPITAL	17,595	18,173	+ 578
Current Ratio	4.9	6.5	+ 1.6

account, amounted to $6 million, was notable, fact is that additions to this account during 1945 were more than counter-balanced by extremely heavy charges for depreciation and amortization. How conservative charge-offs of fixed assets in war years have contributed to reduce net book values may be gauged by the fact that in 1940 the depreciation reserves of the group under discussion amounted to 46% of gross plant values, but at war end this percentage had increased to 59%.

Following are the highlights of 1945 reports of individual companies:

Among motion picture producers, Universal Pictures Company, Inc., wound up its fiscal year ended November 3, 1945 in the strongest condition on record. In contrast to a decline of $5 million in current liabilities, current assets fell off by only about $700,000. The current-ratio accordingly expanded to 5.4 in 1945 against 2.8 in the previous year and 1.8 back in 1939. The gain in working capital amounted to $4.2 million to reach a total of $23.03 million. While income from operations fell slightly compared with 1944, and ordinary Federal income taxes rose by $1.1 million, outlays for excess profit taxes last year were scarcely more than half of 1944 payments, the tally falling from $6.8 million for 1944 down to $3.9 million last year. Thus net profits rose by $500,000 to reach a peak of $3.9 million.

The December 31, 1945 report of Loose-Wiles Biscuit Co. discloses some interesting financial progress made during the year. Assets declined by about $8 million because the company conservatively wrote down on the books all its trademarks and good will from $8.2 million to $1. Final retirement of $1.5 million funded debt in 1945 left the company for the first time in its history with no senior obligations of any kind ahead of the common stock. Cash in the banks exceeded all current liabilities,

LOOSE-WILES BISCUIT CO.	Dec. 31, 1944	Dec. 31, 1945	Change
ASSETS	(in millions of $)		
Cash	$5,440	$5,559	+ 119
Marketable securities	....	....	....
Receivables, net	3,138	2,299	— 839
Inventories, net	7,203	8,206	+1,003
Tax Refund Bonds	....	441	+ 441
TOTAL CURRENT ASSETS	15,781	16,505	+ 724
Plant and equipment	18,815	19,197	+ 382
Less depreciation	8,715	9,002	+ 287
Net property	10,100	10,195	+ 095
Other assets	9,537	1,082	—8,455
TOTAL ASSETS	35,418	27,782	—7,636
LIABILITIES			
Notes payable	1,000	....	—1,000
Accts. payable & accruals	2,874	2,728	— 146
Reserve for taxes	1,024*	1,972*	+ 948
Other current liabilities	....	....	....
TOTAL CURRENT LIAB.	4,898	4,700	— 198
Deferred liabilities	....	....	....
Short term debt	....	....	....
Serial notes	1,500	....	—1,500
Reserves	1,651	1,823	+ 172
Capital	12,765	12,765	....
Surplus	14,604	8,494	—6,110
TOTAL LIABILITIES	35,418	27,782	—7,636
WORKING CAPITAL	10,883	11,805	+ 922
Current Ratio	3.2	3.5	+ .3

* After deducting $7.8 million U. S. tax notes in 1944, and $6.3 million in 1945.

including taxes, and working capital rose nearly a million to $10.8 million compared with $6.4 million in 1941. Of pre-tax earnings of $10.9 million, EPT amounting to $7.5 million took a heavy toll, reducing final net to $2.6 million or almost the same as reported in the previous year. Relief from this tax in 1946 should favorably affect the earnings of Loose-Wiles, as volume is unlikely to shrink greatly.

When it comes to scanning the annual report of American Telephone and Telegraph Company, the consolidated figures bulk tremendously. Book value of plant is carried at $5.7 billion, up $190 million in a single year. Depreciation and amortization reserves add up to over $2 billion, or 36% of the plant investment. Although current liabilities rose by $3.4 million, current assets climbed by $33 million. Large scale financing during the year importantly bolstered earnings potentials and improved the company's entire capital structure, for during 1945 outstanding debt obligations were reduced by some $103 million, while issuance of new funded debt at record low rates to replace higher coupon bonds involved about $550 million. Additionally $77.6 million of 3% debentures were converted into stock and, in the process, $31 million of new cash flowed into the company treasury. Excess profits taxes during the year were reduced by $15.6 million but to effect the saving it was necessary to charge offsetting sums against income, so that final net per share for the year of $8.66 was close to $8.54 per share reported in 1944. Wartime restrictions resulted in a build-up of deferred demand for telephones amounting to about 2 million sets, and when the Western Electric strike is over and done with the company will be kept busy installing these valuable income producers.

For the eighth (*Please turn to page* 729)

C.I.T. FINANCIAL CORP.	Dec. 31, 1944	Dec. 31, 1945	Change
ASSETS	(in millions of $)		
Cash	$26,141	$41,662	+15,521
Marketable securities	64,537	52,612	—11,925
Receivables, net	99,920	118,516	+18,596
Repossessed motor vehicles, etc.	031	061	+ 030
Other current assets	....	....	....
TOTAL CURRENT ASSETS	190,629	212,851	+22,222
Non-current receivables	2,731	6,570	+ 3,839
Investments	15,477	15,997	+ 520
Other assets	005	208	+ 203
TOTAL ASSETS	208,842	235,626	+26,784
LIABILITIES			
Notes payable	23,607	44,510	+20,903
Accts. payable & Accruals / Reserve for taxes	51,774	58,490	+ 6,716
Other current liabilities	....	....	....
TOTAL CURRENT LIAB.	75,381	103,000	+27,619
Deferred liabilities	4,011	5,549	+ 1,538
Minority interest	020	026	+ 006
Long term debt	20,000	20,000	....
Reserves	2,918	2,198	— 720
Capital	55,505	55,505	....
Surplus	51,007	49,348	— 1,659
TOTAL LIABILITIES	208,842	235,626	+26,784
WORKING CAPITAL	115,248	109,851	— 5,397
Current Ratio	2.5	2.0	— .5

OWENS-ILLINOIS GLASS CO.	Dec. 31, 1944	Dec. 31, 1945	Change
ASSETS	(in millions of $)		
Cash	$15,406	$23,021	+ 7,615
Marketable securities	25,612	30,612	+ 5,000
Receivables, net	9,574	10,130	+ 556
Inventories, net	11,137	10,125	— 1,012
Other current assets	....	....	....
TOTAL CURRENT ASSETS	61,729	73,888	+12,159
Plant and equipment	75,349	77,580	+ 2,231
Less depreciation	36,422	38,400	+ 1,978
Net property	38,927	39,180	+ 253
Other assets	10,748	9,682	— 1,066
TOTAL ASSETS	111,404	122,750	+11,346
LIABILITIES			
Notes payable	....	....	....
Accts. payable & accruals	7,103	11,663	+ 4,560
Reserve for taxes	16,143	20,498	+ 4,355
Other current liabilities	....	....	....
TOTAL CURRENT LIAB.	23,246	32,161	+ 8,915
Reserves	2,013	2,302	+ 289
Capital	33,265	33,265	....
Surplus	52,880	55,022	+ 2,142
TOTAL LIABILITIES	111,404	122,750	+11,346
WORKING CAPITAL	38,483	41,727	+ 3,244
Current Ratio	2.6	2.2	— .4

MARSHALL FIELD & CO.	Dec. 31, 1944	Dec. 31, 1945	Change
ASSETS	(in millions of $)		
Cash	$10,183	$12,038	+ 1,855
U. S. Gov't. securities	18,559	11,737	— 6,822
Receivables, net	12,399	12,702	+ 303
Inventories, net	15,477	15,558	+ 081
TOTAL CURRENT ASSETS	56,618	52,035	— 4,583
Plant and equipment	71,541	51,006	—20,535
Less depreciation	18,383	19,409	+ 1,026
Net property	53,158	31,597	—21,561
Other assets	2,417	1,205	— 1,212
TOTAL ASSETS	112,193	84,837	—27,356
LIABILITIES			
Notes payable	1,400	....	— 1,400
Accts. payable & accruals	11,521	13,213	+ 1,692
Reserve for taxes	17,053	11,031	— 6,022
TOTAL CURRENT LIAB.	29,974	24,244	— 5,730
Long term debt	19,900	....	—19,900
Reserves	10,631	7,702	— 2,929
Capital	31,819	31,819	....
Surplus	19,869	21,072	+ 1,203
TOTAL LIABILITIES	112,193	84,837	—27,356
WORKING CAPITAL	26,644	27,791	+ 1,147
Current Ratio	1.9	2.1	+ .2

...Future of Canadian Exports

...Showdown on Price of Silver Near

...Famine and Political Trouble in India

...Slow Progress of Trading with Southeastern Asia

WITH JOHN LYONS

T IS SELDOM realized that Canada has been the second largest exporting nation durmg the last two or three years. In 1945, her exports totaled $3,218 million, excluding gold, and were therefore larger than the exports of entire Latin America. But one reason why Canadian exports had more than trebled in value and in volume during the war years, was due to the fact that the Dominion had been "lend-leasing", i.e. giving away, more than one-third of her exports.

Canada, of course, cannot go on lend-leasing any more than we can. Meanwhile, the nature of the Canadian economy has changed as a result of extensive wartime industrialization. At least one hundred products never before manufactured in the Dominion are being or will be made locally. Simultaneouly the nature of the Canadian trade has been changing. The Dominion is importing more raw materials and fuels and fewer manufactured goods, and the proportion of manufactures in exports has been rising.

Canadian Economy Dependent on Exports

However, despite the wartime diversification of her economy, Canada will continue to be very much dependent upon exports, though somewhat less in relation to her national income than before the war. Last April, the Government White Paper on Employment and Income noted that if the country was to have full employment and a high level national income, postwar exports had to be maintained around $1,750 million at least. In value this would be about 60 per cent, and in volume about 15 per cent more than the Dominion exported before the war. The Bank of Nova Scotia believes that the minimum exports should be $1,900 million or about 25 per cent more in volume than the prewar figure.

For the time being, with the exports still above the $3 billlion level and the world short of the very products in which the Dominion specializes—cereals, meat, non-ferrous metals, paper and pulp, dairy products—there is not much danger that the Canadian exports will fall below the $2 billion level. But just to be on the safe side, the Dominion has been pushing a vigorous trade promotion program. The Canadians are particularly anxious to obtain an increased share of the trade with Latin America, where they want to sell their manufactured products in particular. They built their Latin American sales from some 36 million in 1939 to almost $84 million in 1944 and some time ago the Minister of Trade and Commerce suggested that $200 million Canadian exports to Latin America were quite possible in the immediate future.

Showdown on Price of Silver Near

The processors of silver are running short of the metal, and if they are not to curb drastically their operations within a few months, a decision as to the price at which the silver impounded in the United States Treasury should be released to them, will have to be made before long.

Since late last Summer, when the Government removed all restrictions on the use of silver—which had become an important strategic metal during the war—the processors of the metal have been hard pressed to satisfy the extraordinarily large demand for silverware, jewelry, pharmaceuticals, photographic film and numerous other products in which silver is now used. This high level of consumption of silver, which at about 130 million ounces a year is more than four times as high as before the war and which would have been still greater had it not been for the shortage of labor and materials, can be best explained as being due partly to the expanded purchasing power of the American public and partly to the drastic curtailment of all non-essential uses of silver during wartime.

For its current requirements, the silver process-

ing industries have been relying on their accumulated stocks estimated at about 30 million ounces as of December 1945, on the current domestic production of silver (little better than 30 million ounces a year at present) and on the imports running at the annual rate of about 35 million ounces. Although the world output of silver outside of the U.S. must have been at least 120 million ounces in 1945, the bulk of the metal is being retained in the producing countries either to satisfy the local consumption or in the expectation of a higher price. The latter is particularly true about Mexico, where the central bank has had a monopoly in the acquiring and disposing of all the newly mined metal. The only hope of satisfying fully the greatly expanded demand from the domestic arts and industries, thus continues to lie in access to the Treasurv's stock of free or unpledged silver which Secretary Vinson estimated last December at about 240 million ounces or about 8 per cent of the total stock of the meta held in the United States.

However, the Green Act of 1945, which gave the domestic processors access to the Treasury Silver, expired on December 31, 1945, and the question before Congress is what new legislation is to replace it? A rider has been recently attached to the Treasury Appropriation Bill which in effect would permit silver processing industries access to the Treasury silver during the next two years at 71.1 cents an ounce, the same price at which silver was made available under the Green Act. The processors argue that the Government silver should be released at the old price in the general interest of the consuming public and of the stability of the silver manufacturing industries. They point out that the present shortage of silver is temporary, since the pent-up demand for the metal is expected to be satisfied within two or three years, by which time, with new production stimulated, a more normal balance between the demand and the supplies should be re-established. They also point out that a bulge in price would tend to reduce the uses of the metal on one hand, and on the other hand would overstimulate the production of silver abroad and necessitate again the Treasury's resuming the absorption of foreign silver in support of the price.

In opposition, Senator McCarran of Nevada introduced a bill giving the silver manufacturers access to the Treasury silver at $1.29 an ounce, the price at which the metal is carried on Government books once it is monetized. The McCarran Bill would also raise the price of newly-mined silver from the present level of 71.1 cents an ounce to $1.29. Most likely some kind of compromise will be reached between the two legislative proposals.

Famine and Political Trouble in India

While the war was on, Indian financiers and industrialists entertained high hopes in regard to the postwar industrialization of the country and the capture of a portion of the Japanese export market for textiles and other manufactures. These hopes were reflected in the grandiose "Bombay Plan" which was to modernize and expand the Indian industries at a cost of 100 billion rupees (about $30 billion) and bring about a fivefold expansion of the Indian national income within some 15 years. A part of the Indian sterling balances in London, now approaching the equivalent of $6 billion, was to be used for the purchase of capital goods, chiefly within the British Empire and in this country.

Photo by Press Association

Members of various Indian political factions jam Calcutta square during disturbances.

However, the last six months brought the realization that the path of industrial expansion would be far from a smooth one.

The threat of a serious famine, worse than the one in 1943 during which some 1,000,000 people lost their lives, has led to the hoarding of food and to the flight from the rupee into goods or precious metals. Gold and silver prices in Bombay established new high records, gold selling at about $76 an ounce and silver at $1.20 an ounce. The downward readjustment of prices and cost of living, which are above three times as high as before the war, has been reversed. The wave of strikes, particularly in the large cities of Calcutta and Bombay, has been even more serious than in this country and not confined to industrial labor, but including teachers, railway workers, clerks, and storekeepers.

The industrial labor has been striking mostly to have the war-time cost-of-living bonus incorporated into the basic wage rate, and if this happens, as it seems likely, the competitive position of Indian goods on the international market will be impaired. (*Please turn to page 732*)

Encouraged by the success of Labor in obtaining higher wages, the Farm Bloc is preparing to swing into action on behalf of the farmer.

WILL FARM BLOC . . .
. . . upset National Economy?

By NORMAN T. CARRUTHERS

THE NEW DEAL was in power only a short time when the Agricultural Adjustment Act of 1933 was passed. The original definition of the parity principle in that act declared that it was the policy of Congress, among other things, to "re-establish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of argricultural commodities in the base period. The base period in the case of all agricultural commodities, except tobacco, shall be the pre-war period, August 1909-July 1914."

This formula defines a relationship or exchange ratio between prices paid by the farmers generally and prices received. It is this and nothing more. It is not a standard-of-living formula or a cost-of-production index. Why every agricultural commodity should bear the same relationship to other commodities in 1946 as it did in 1909-'14 is hard to figure out. As far as we can see there is no reason for it. Here are a few of the faults of using a base of 30 years ago!

1. Obsolete—In the base period, horses were the main source of power on the farm. Tractors have taken their place. Whereas in January 1946 all farm commodities were selling at 205 per cent of the 1909-14 average, horses were selling at much less than half of their base period price.

2. Change in Demand—In the base period we were the world's leading exporters of a number of agricultural commodities. On some of these items we are now important importers. Yet they say that the price relationships should be the same in both periods.

3. Competition—In the base period cottonseed provided us with practically all of our domestic vegetable oil. Soybeans at that time were just something grown in Manchuria. Now soybeans provide us with most of our domestic vegetable oil.

4. Yields Per Acre—The price relationship is simply one of a unit of each agricultural commodity. No allowance is made for changes in yield per acre. Let us take corn for an example. In the base period only regular seed corn was used. Then came the development of hybrid corn which with the same amount of work on the part of the farmer gave him double the yield. According to the parity formula

the farmer is entitled to the same relative price for each bushel. This means that his relative income per acre would be actually double that of the base period.

Figuring Parity

Parity has been in the headlines many times in the past few years, but very few people know just how it is figured. There are three simple steps.

1. A base period is determined. This is done by averaging the prices received by the farmers in the 60 months beginning August 1909 and ending July 1914. The average price of cotton during this period, for example, was 12.4 cents a pound.

2. An index of prices paid, including taxes on real estate and interest paid, is calculated. To begin with, prices of 86 items used in family living and 88 items used in farm production are collected. The estimated quantity of each commodity used by farmers is used to combine these prices into a simple index, which also includes the appropriate allowances for taxes and interest. This procedure, for example, gives an over-all index of 177 for January, 1946.

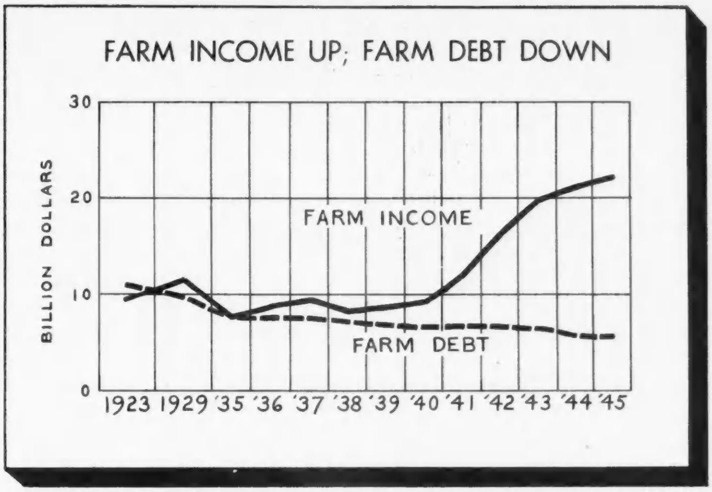
3. The third step in calculating parity prices is to adjust the base period prices by the index of prices paid, interest, and taxes. Using cotton as our example we would multiply 12.4 by 1.77 to give us 21.95 cents a pound for our January 1946 parity price.

There is no objection to the use of such a formula for an academic study of price relationships. Unfortunately the Southern Cotton Bloc seized on this during the war as a means of improving the position of the cotton farmer. Of course the program was for the benefit of all agriculture, but it was manipulated so as to give more benefit to cotton than to any other commodity. Here are a few of the facts:

Every bill to adjust loan rates or to change the parity formula was introduced by a member of the Cotton Bloc. Prominent among these are Senator Bankhead of Alabama, Senator Thomas of Oklahoma and Representative Pace of Georgia.

Although the loan rates on all commodities were raised during the war, the highest rate on any farm commodity was 90 per cent. In the 1944-45 season, however, the rate on cotton was at 95 per cent of parity and this season it is at 92½ per cent of parity. From 1940 through 1943 an average of 26 per cent of the cotton crop found its way into the loan.

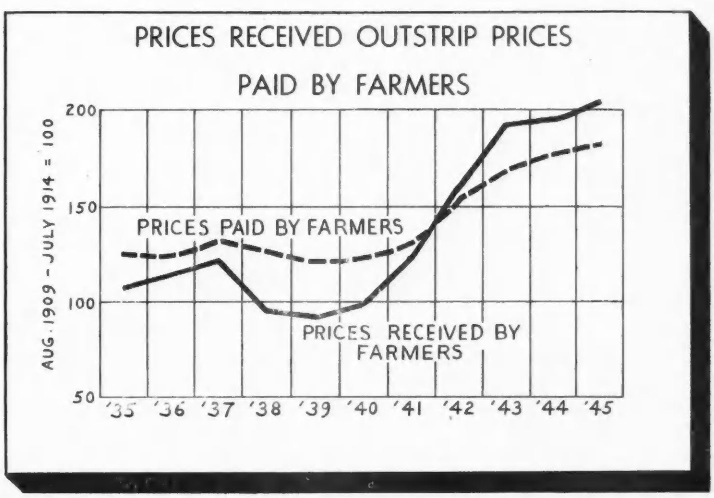
Parity refers to farm prices, yet parity for cotton is not the average run for farm prices. In this case it refers to 7/8" M cotton, a type that makes up a small fraction of our output. Our present standard cotton, which is 15/16" M cotton, receives a premium of 1½ cents a pound above parity.



Cotton is the only major agricultural commodity which has a loan price, but no ceiling price. OPA recently announced its intention of placing a ceiling on the 1946 cotton crop. The Cotton Bloc got to work immediately and threatened the life of the OPA (beyond June 30) if the ceiling were actually put into effect.

In addition to the loan, cotton has its own purchase program. The CCC will buy cotton at the beginning of the season at a price which is well above the loan level. This purchase price increases at the rate of 5 points a month during the season. Cotton is the only commodity which the CCC must purchase above the loan price.

As far as the price of cotton itself is concerned, the Southern Bloc has done a good job. In the short period of 5 years the price of cotton on the farm has advanced from below 10¢ to almost 23¢ a pound. But what has this price increase done to



the competitive position of cotton? Following are a few comparisions:

Rayon Competition. In the period 1935-39, rayon staple fiber sold at double the price of S. M. 1 1/16" cotton. At the present time rayon staple fiber is around 15% cheaper than this type of cotton. As a result, rayon is steadily and surely cutting into cotton consumption. Currently, cotton consumption is running 20% below the 1942 monthly average. Rayon is now being consumed at a rate around 30% above the 1942 average. Increased capacity for the rayon industry will mean much larger production in 1947.

Cotton Loses Competitive Ground

Burlap. Cotton goods are directly competitive with burlap in the bag trade. Certain constructions, which before the war were selling around the same price, now show a 2 cent-a-yard spread in favor of burlap. While cotton consumption in the fourth quarter of 1945 was down almost 10 per cent compared with the same period in 1944, burlap consumption was up around 45 per cent.

Foreign Cotton. In November 1944 a subsidy of 4 cents a pound was placed on American cotton for export in order to put it in line with world cotton prices. In a recent publication the Department of Agriculture pointed out that since that date the changes in price have put American cotton from ½ to 2½ cents per pound further out of line with world prices. Since that report was made, the spread has continued to widen.

Since the prices of many of the things which the farmer sells are also reflected in the prices of things he buys, an advance in one helps an advance in the other. For example, higher cotton prices mean higher shirt and overall prices. Higher grain prices mean higher flour prices. So it goes, and as a result, there has not been one monthly decrease in the parity index in about five years. However, there will come a time when the peak is reached and the downtrend gets under way. Then the operation will work in reverse and prices will break sharply. Instead of helping to level out price changes, parity just accentuates the cycle.

"We Want Ours"

The Farm Bloc was quiet while the discussions on wage-price policies were under way. Now that the Administration has taken a stand and granted substantial wage increases to labor, the Farm Bloc is out to get all they can for the farmer, especially the cotton farmer. Even the mention of lower cotton prices may soon be unlawful. Under a limitation included in the Department of Agriculture appropriation bill for the coming fiscal year by the House Appropriations Committee (dominated by Southern members), any official or employee of the department is barred from issuing "any prediction, oral or written, or forecast, except as to damage threatened or caused by insects or pests, with respect to future prices of cotton or trend of same." They can mention crop damage, for crop damage usually influences higher prices.

This committee went one step further. It substantially slashed the funds for the Bureau of Agricultural Economics for the coming year, blaming that bureau for making forecasts and surveys outside of its jurisdiction. This bureau is one of the best in the entire Government setup. It is one of the few which was not shuffled back and forth in the hundreds of changes made in the various Government Departments in the past twelve years.

The action taken so far has all been negative, but this is only the beginning. The well-worn Pace Bill is being brought back to life. It was passed twice by the House, once unanimously, during the War; but was blocked in the Senate through compromise and after Presidential intercession.

The Pace Bill

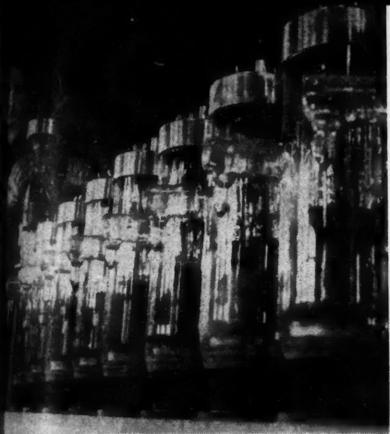
This bill would alter the present parity formula by including wage rates. What would happen to parity under the new formula? Here are the estimated changes, made late in 1945, for a few key commodities:—

	Parity under *Present Formula*	Parity under *Pace Bill*
Wheat ($ per bu.)	1.55	2.02
Corn ($ per bu.)	1.12	1.47
Hogs ($ per cwt.)	12.70	16.60
Cotton (¢ per lb.)	21.70	28.40

That looks like a substantial increase to us. What will it mean to the buying public? Back in 1943, when the bill was first introduced, the OPA estimated that it would add almost 2½ billion dollars to the annual consumer food budget. It might be well to mention at this point that the Government is now spending about 1½ billion dollars to keep prices down.

As we studied the situation, we thought that perhaps we were biased. Maybe the OPA has been keeping prices down unduly. Perhaps the world cotton situation is such that higher prices are justified. The statements which follow are not ours, nor are they those of the Bureau of Agricultural Economics. S. K. Kirpalani of India, chairman of the study group of the International Cotton Advisory Committee made them only two weeks ago. "The study group was alive to the inherent weaknesses in the cotton situation throughout the world to which the committee drew attention in its April, 1945 meeting. Especially was it conscious that the producing countries are now holding stocks which in aggregate far exceed the quantities they can hope in the forseeable future to consume and export. The group was equally aware that forces are at work which could greatly stimulate production.

"Although the world crop in 1945-46 was short and the beginnings of (*Please turn to page* 736)



1946 Special Re-appraisals of Values, Earning and Dividend Forecasts

Prospects and Ratings for Merchandising, Farm, Electrical and Railway Equipment Stocks.

Part IV

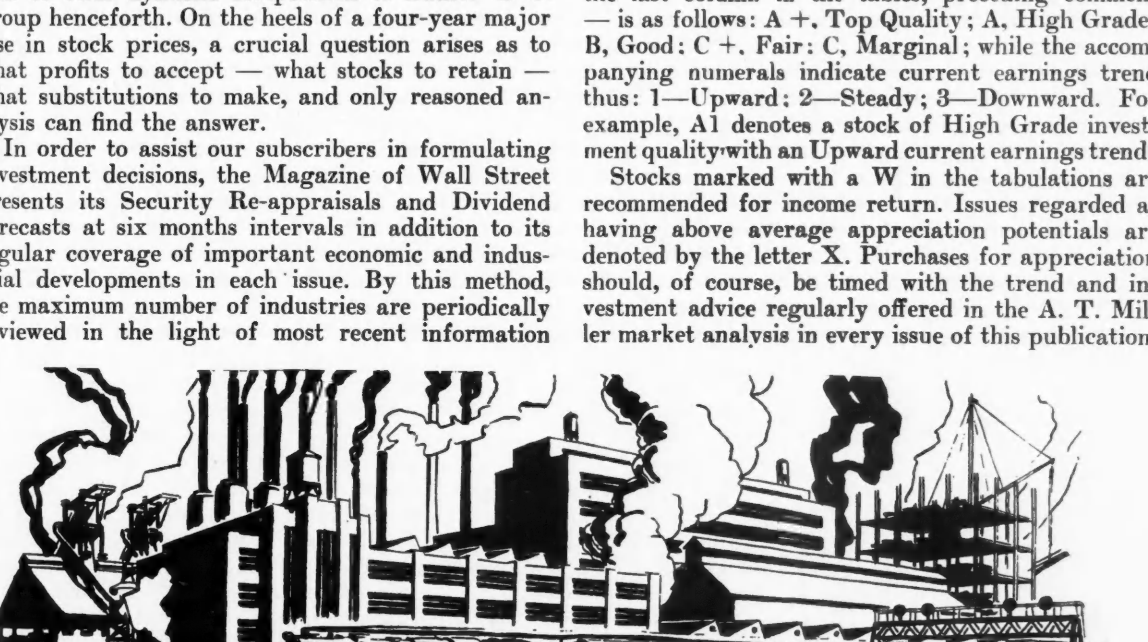
AS THE nation emerges from abnormal war conditions to an era of peace, thoughtful investors sense the necessity of scanning portfolios with critical eyes. Hope of success in securing a satisfactory income or of achieving gains through appreciation must rely upon penetrating insight into the ever changing economic scene, as unprecedented forces are now at work which may stimulate or check the progress of numerous industries or their component units.

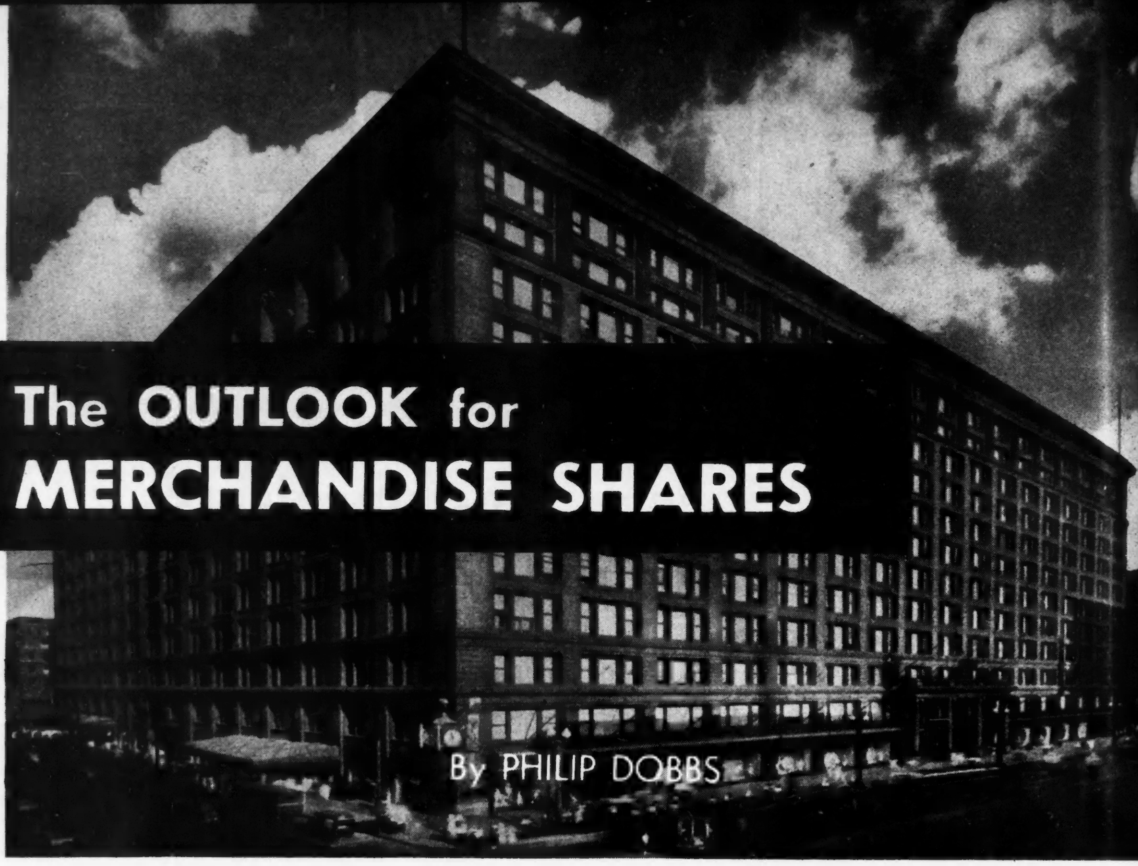
Many a concern rated as marginal in prewar has gained new stature through abnormal wartime activities and may either relapse to an unimpressive position or offer dynamic competition to leaders in its group henceforth. On the heels of a four-year major rise in stock prices, a crucial question arises as to what profits to accept — what stocks to retain — what substitutions to make, and only reasoned analysis can find the answer.

In order to assist our subscribers in formulating investment decisions, the Magazine of Wall Street presents its Security Re-appraisals and Dividend forecasts at six months intervals in addition to its regular coverage of important economic and industrial developments in each issue. By this method, the maximum number of industries are periodically reviewed in the light of most recent information available with up-to-date statistical data provided for ready comparisons. Supplementing this, brief comments on the status of each individual company listed on the table and its near term dividend potentials are presented. This combined material we believe will serve as the most practical method of keeping our readers, who collectively own shares in many corporations, adequately informed in their efforts to safeguard or improve their investment positions.

The key to our ratings of investment quality and current earnings trend of the individual stocks — the last column in the tables, preceding comment — is as follows: A +, Top Quality; A, High Grade; B, Good; C +, Fair; C, Marginal; while the accompanying numerals indicate current earnings trend thus: 1—Upward; 2—Steady; 3—Downward. For example, A1 denotes a stock of High Grade investment quality with an Upward current earnings trend.

Stocks marked with a W in the tabulations are recommended for income return. Issues regarded as having above average appreciation potentials are denoted by the letter X. Purchases for appreciation should, of course, be timed with the trend and investment advice regularly offered in the A. T. Miller market analysis in every issue of this publication.





The OUTLOOK for MERCHANDISE SHARES

By PHILIP DOBBS

NATIONAL INCOME ORDINARILY sets the trend in merchandising volume. Except for unusual circumstances, such as imposed by wartime restrictions, the American public may be counted upon to spend about one-fourth of its disposable income in retail stores—not including groceries or restaurants and taverns. This ratio of spending to income has been so consistent—in good times and in bad—that economists have come to regard income (after taxes and savings) as one of the most reliable trade indices.

In appraising the outlook for retail organizations, therefore, one ought to begin with a careful examination of basic conditions affecting probable consumer purchasing power. The next most important determinant of retail distribution volume is the availability of desirable merchandise, and this factor promises to prove especially vital this year. Other phases of the business tending to have a bearing on successful results are "markup" policies, wage scales, delivery costs, clearance sales and expansion programs. Tax relief must not be overlooked as a major favorable influence.

Regardless of numerous uncertainties arising from postwar readadjustments, the outlook for retailers appears more satisfactory than had seemed possible a year ago. Principal favorable factors include these:

1. Prospect of continued relatively high spending power—despite widespread strikes.
2. Substantial increase in supplies of consumer goods which have been scarce for years.
3. Likelihood of increased volume at higher price levels, contributing to larger gross receipts and above-average net income.
4. Indications that profit margins may hold at abnormally high levels in spite of pressure from government price control authorities to squeeze wartime spreads.
5. Operating costs expected to remain relatively low in relation to total sales despite continuance of liberal wage rates.
6. High construction costs likely to delay prospective expansion programs which point eventually to increased competition and lower unit sales volume.

The encouraging outlook for retail trade this year is founded primarily on hope of high consumer income. Unemployment resulting from strikes in major industries has reduced estimates of 1946 spendable income, of course, but unless idleness endures longer than now seems probable, it seems safe to forecast national disposable income at not less than $120 billion. That would be larger than any total on record prior to 1943. Allowing for the fact that the inclination to spend probably will be stronger than at any time before the war, it may be assumed that a higher percentage of income will be diverted to retail shops. If the percentage should

reach a normal of 25 per cent, it would mean that approximately $30 billion would be spent for merchandise distributed by department stores, and variety chains as well as through mail order channels. Expenditures in grocery stores also may be expected to exceed the average volume of recent years.

The conclusion that may be drawn from this prospect of high national income is that retail trade figures should continue to make a favorable comparison with highly profitable totals of the war years. When it is taken into consideration that operating costs probably will be low in relation to sales volume and that taxes will be less burdensome, it may be

Position of Leading Merchandise Shares

Company	1936-9 Avge. Net (In Dollars Per Common Share)	1941-4 Avge. Net (In Dollars Per Common Share)	1945 Net (In Dollars Per Common Share)	1944 E.P.T. (In Dollars Per Common Share)	1945 Dividend (In Dollars Per Common Share)	Recent Price	Price Earnings Ratio	Div. Yield	Investment Rating	COMMENTS
X Allied Stores	$1.04	$2.84	$4.15(b)	$7.36	$1.30	$48	11.5	2.7%	B—1	Prospect of substantial increase in household appliance business is favorable for earnings and dividend outlook. Expansion contemplated.
American Stores	.96	1.48	1.51	2.62	1.00	29	19.2	3.4	C+2	Outlook for industrial purchasing power in its service area appears above average. Dividend policy conservative.
Best & Co.	1.88	1.75	2.21Ja	N.A.	1.15	36	16.3	3.2	A2	Emphasis on women's apparel probably means slackening in sales volume but earnings may improve. Dividend rate already raised on split stock.
Federated Dept. Stores	2.71	3.25	4.32Jl	N.A.	1.50	54	12.5	2.7	B—1	Tax relief expected to be major influence in sharp earnings improvement. This should justify higher dividend and perhaps stock split.
W First National Stores	3.60	2.93	2.80Mr	2.77*	2.50	56	20.0	4.2	B2	Industrial activity in its territory holding above average. Earnings and dividend outlook promising.
Gimbel Bros.	.44	1.60	2.40(x)	9.06	.67	41	17.1	1.6	C+1	Although rate of growth may slacken, sales volume liekly to be large. More liberal dividend already in force.
Grant, W. T.	1.45	1.55	1.62(x)	3.58	.72	30	18.5	2.4	B1	Sales volume and earnings would be helped by increased output of desirable goods. Higher dividend likely.
Green, H. L.	3.20	3.84	4.27(b)	6.36	2.50	77	18.0	3.2	B2	Conditions favor increased sales and continued satisfactory margins. Earnings should warrant higher dividend.
Interstate Dept. Stores	.72	3.25	3.35(x)	7.00	1.30	37	11.0	3.5	C+1	Strikes likely to have moderate adverse effects in some Midwest outlets, but earnings should be well sustained. Dividend probably secure.
Jewel Tea	2.79	2.11	2.33	1.88*	1.50	49	21.0	3.0	B1	Prospects point to continued recovery from serious wartime restrictions. Dividend rate already higher.
Kresge, S. S.	1.87	1.59	1.80E	2.59	1.25	36	20.0	3.4	B2	Recovery of many small variety items should help expand sales volume and improve earnings.
Kress, S. H.	1.98	2.13	2.13	3.91*	1.60	46	21.6	3.4	A2	Purchasing power expected to remain relatively high in its territory and earnings rise indicated. Conservative dividend policy will be continued.
Macy, R. H.	1.91	1.61	2.73Jl	N.A.	1.60	45	16.4	3.5	A1	Volume expected to set new record and tax relief should lift earnings. Expansion program has begun.
X Marshall Field	.38	1.61	2.31	6.91*	1.10	40	17.4	2.7	B—1	Economic conditions and recent internal adjustments promise substantial earnings gain and higher dividend.
X Mcy Dept. Stores	1.85	2.00	2.34(x)	6.68	1.65	51	21.8	3.2	A1	Prospects promising for highly satisfactory results. Stock split indicates higher dividend than last year.
McCrory Stores	1.87	2.01	2.00	4.77*	1.00	33	16.5	3.0	C+2	Return of pre-war goods and increased merchandising efficiency favor earnings and dividend improvement.
McClellan Stores	1.19	1.52	1.80(x)	4.05	.70	26	14.4	2.7	C+2	Prospect for larger volume and more rapid turnover should expand earnings and dividends. Tax relief helps.

* 1945.
Jl—Fiscal year ended July 31, 1945.
Mr—Fiscal year ended March 31, 1945.
Ja—Fiscal year ended January 31, 1946.
(x)—12 months to July 31, 1945.
(a)—12 months to June 30, 1945.
(b)—12 months to October 31, 1945.
N.A.—Not Available.
E—Estimated.
X—See Introduction—Page 703.
W—See Introduction—Page 703.

understood why the earnings outlook for most concerns in this business is so bright. Unless something unforeseen develops to upset present calculations, investors would seem to have valid reason for anticipating larger dividends for most companies in the retail group. Variety chains should benefit especially from tax relief and recovery of desirable merchandise. Most companies in this group seem headed for dividend improvement.

Although fundamental factors are generally favorable, it is apparent that various types of retailing may be affected differently. For example, department stores may not expand sales volume so readily as variety chains. Retailers of the department-store type situated in metropolitan areas seem likely to experience a shift in consumer preferences to so-called "hard goods" and other merchandise which has been scarce during the war. Generally speaking, such stores have been far more crowded than the variety chains, especially those which have not concentrated on wearing apparel.

As an enormous number of small items usually stocked by variety stores get back into production, it would be only natural to expect this development to contribute to substantial sales expansion. Department stores undoubtedly are destined to experience sales growth from recovery of higher priced items such as refrigerators, ranges, radios and other appliances that have been unavailable for the last few years. In total volume, however, it would not be surprising if the value of thousands of small items retailed in variety chains should exceed the "hard goods" total recovered by the larger retail outlets.

Mail order organizations are likely to benefit importantly from recovery of "hard goods" and maintenance of farm income at high wartime levels. As a matter of fact, rural purchasing power stands a good chance of increasing this year rather than decreasing. Pressure already is evident in Washington to boost prices of farm products and demand for food is so strong that farmers would seem to be justified in planting crops on the large scale adopted during the war. Hence, if weather conditions are favorable, farm income readily might reach a new high record this year. Such a development would be especially (*Please turn to page* 738)

Position of Leading Merchandise Shares (continued)

Company	In Dollars Per Common Share: 1936-9 Avge. Net	1941-4 Avge. Net	1945 Net	1944 E.P.T.	1945 Dividend	Recent Price	Price Earnings Ratio	Div. Yield	Investment Rating	COMMENTS
W Melville Shoe	$2.09	$2.23	$1.86(a)	$.18	$.200	$45	24.2	4.4%	8—2	End of rationing has helped sales, but price control and higher wage demands tend to squeeze manufacturing profit margins.
X Montgomery Ward	3.86	3.79	3.89(b)	2.84	2.00	76	19.5	2.6	B1	High farm purchasing power and tax relief expected to lift sales and earnings. Higher dividend likey.
Murphy, G. C.	1.44	1.42	1.55	3.62*	.87½	40	25.8	2.2	B2	Favorabe economic influences and lower tax rate point to increased earnings. Stock split approved. Later increase in dividend may materialize.
National Tea	def: 1.13	.78	1.33	N.A.	.85	27	20.3	3.1	C2	Further improvement in sales volume likely. Smaller prior charges should help earnings and dividends.
Newberry, J. J.	1.30	1.75	1.90E	4.47	.60	34	17.9	1.7	B2	Results likely to follow generally favorable trend in variety gro More liberal dividend rate indicated.
X Penney, J. C.	2.15	2.13	2.14(a)	3.84	1.67	53	24.9	3.1	A1	Encouraging outlook in farm areas favorable for earnings. Stock split paves way for higher dividend.
Safeway Stores	1.44	1.54	1.59	.42	1.00	25	15.7	4.0	B2	Favorable conditions for grocery chains point to earnings and dividend improvement for this leader.
X Sears Roebuck	1.37	1.49	1.48(e)	2.38	1.06	40	27.0	2.6	B1	Larger volume in household appliances and farm implements should set new sales record. Dividends to be more liberal.
Spiegel	1.54	def. .74	def. .12(a)	None	Nil	22	—	—	C+1	Expansion program expected to continue. This should help sales volume and earnings, but may defer dividend resumption.
Woolworth, F. W.	3.19	2.43	2.43	1.89*	1.60	51	21.0	3.1	A2	Prospects favor substantial increase in volume, encouraging improvement in earnings and possible higher dividend rate later in year.

* 1945. N.A.—Not Available E—Estimated. X—See Introduction—Page 703.
(a)—12 months to June 30, 1945. W—See Introduction—Page 703.
(e)—12 months to July 16, 1945.
(b)—12 months to October 31, 1945.

Farm Equipment Companies

UNDER TODAY'S CONDITIONS

☆ ☆ ☆

By STANLEY DEVLIN

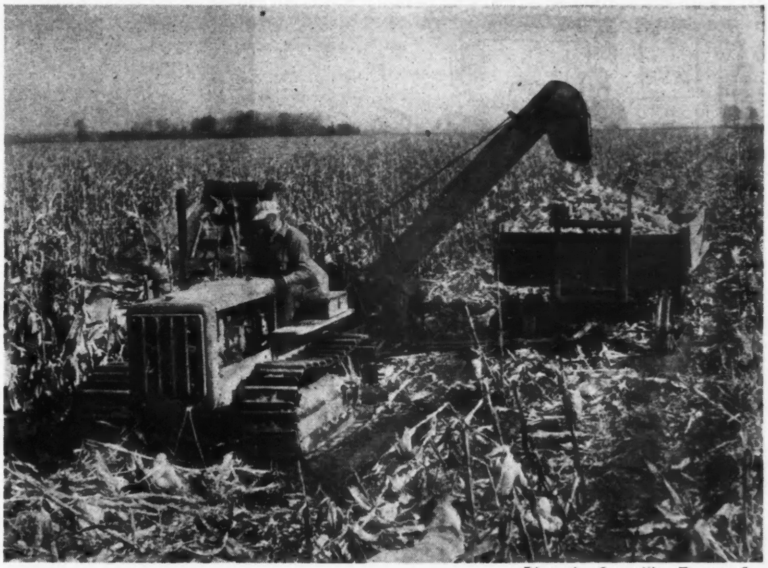


Photo by Caterpillar Tractor Co.

Farm prosperity today is unprecedented. Makers of farm machinery should reap substantial benefits.

THE FARMER IS PROSPEROUS and seems likely to continue so for some time to come. This fact is the major element in the current outlook for leading manufacturers of agricultural machinery and equipment.

Last year farm income of nearly $22 billion set a new high. Moreover, and contrary to earlier predictions, farm income this year will compare quite favorably with the high levels attained during the war years. To meet the demands for greatly increased supplies of food and to insure not only our heavy domestic needs, but those of devastated countries abroad, as well, farmers are being urged to enlarge substantially (*Please turn to page* 739)

Position of Farm Equipment Stocks

Company	1936-9 Avge. Net	1941-4 Avge. Net	1945 Net	1944 E.P.T.	1945 Dividend	Recent Price	Price Earnings Ratio	Dividend Yield %	Investment Rating	COMMENTS
	In Dollars Per Common Share									
X Allis Chalmers	$2.55	$3.96	$3.71(a)	$20.58	$1.75	48	13.0	3.6	B2	Third largest maker of farm machinery. Potential earnings substantial, justifying increase in present dividend. Tax relief will be sizeable.
Case, J. I.	2.08	2.46	3.16Oc	9.23	2.00(x)	43	13.6	4.6	B—2	Company's output includes a full line of farm machinery and implements as well as industrial tractors. Finances excellent. Higher dividends in prospect.
X Deere & Co.	2.91	3.39	2.16Oc	N.A.	1.50	47	21.7	3.2	B—2	Company ranks second in industry and output is well diversified. Financial position is good and dividends may be increased to $2 this year.
X International Harvester	4.20	5.03	4.42Oc	None*	3.00	89	20.2	3.3	B2	Leading farm machinery manufacturer and one of foremost makers of trucks. Has extensive foreign facilities. Present dividends assured.
Minneapolis-Moline	.18	1.44	.56Oc	1.05*	Nil	14	25.0	—	C2	One of the smaller units. Pre-war record not impressive. Early dividends do not appear likely and shares must be rated as highly speculative.
Myers, F. E. & Bro.	4.59	3.69	3.57Oc	1.28*	2.25	61	17.1	3.7	B—2	Company manufactures a line of pumps, spraying equipment and other farm items. Record has been good and continued liberal dividends are probable.
Oliver Corp.	1.51	2.54	1.63Oc	.30*	1.00	29	17.7	3.4	C+2	Merger with Cleveland Tractor has strengthened company's trade position. Should do better in period ahead than in pre-war years. Dividends reasonably secure.

* 1945. Oc Fiscal year ended October 31, 1945. E Estimated.
(a) For 12 months ended September 30, 1945. N.A. Not available.
(x) Includes $0.80 year-end dividend payable Jan. 2, 1946.
X See Introduction Page 703.

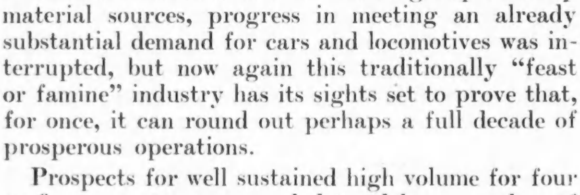
Divergent Trends IN RAIL EQUIPMENTS

Railroads are in the market for more new equipment than at any time in history.

By WARREN BEECHER

MAKERS OF RAILWAY equipment, now that the strike wave is rapidly on the wane, will soon be making an all-out effort to speed up production under the new wage-price formula. As the outbreak of industrial strife in the hard metal group dried up material sources, progress in meeting an already substantial demand for cars and locomotives was interrupted, but now again this traditionally "feast or famine" industry has its sights set to prove that, for once, it can round out perhaps a full decade of prosperous operations.

Prospects for well sustained high volume for four or five years to come are bolstered by a number of encouraging and clearly marked demand factors, originating both at home and abroad. How much of an earnings squeeze will develop under the impact of soaring wage scales and rising costs of materials is unpredictable, but fortunately enough most of the industry's larger concerns enjoy an above-average tax cushion to absorb at least part of the shock, and if the promised "price bulge" does not prove altogether visionary, net earnings during 1946 could conceivably run well above those of near prewar years. With working capital doubled since 1940 and with substantially modernized facilities, the industry is in excellent shape to meet the challenge of tight Federal restrictions until the hopeful day arrives when all controls are mitigated. Not that serious problems will not present themselves, but rather that managerial efficiency and resourcefulness characteristic of the stronger concerns is likely to meet the test ably.



Granted that profit margins possibly, or probably, will not be seriously impaired during 1946 operations, the factor of volume will mainly determine the level of earnings. Caution suggests that if the inevitable rise in operating costs should impinge so heavily upon margins that an offsetting rise in prices should be essential and permissable, some degree of sales resistance might be encountered. On the other hand, railway equipment, unlike many other forms of manufactured products, is not only a prime essential in any economy but a determinant of earnings through the amount of operating efficiency it provides for the purchaser. Since rolling stock of every description was shockingly destroyed in devastated European countries, its replacement is a "must" item at the top of every Government budget on the Continent, while modernization plans will likewise bring other foreign nations heavily into the market. As a long time must elapse before foreign facilities can be built or rebuilt to meet local demand, urgency appears likely to offset any reasonable price barrier which may present itself during the next few years, and orders should flood in upon American manufacturers. In-

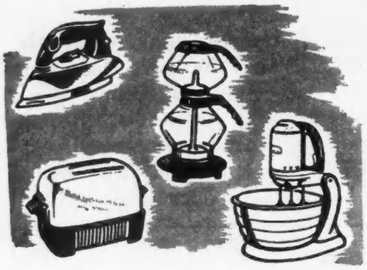
deed, foreign orders already strongly bolster the backlogs of our important makers of locomotives and cars.

Prospects for above-average volume from domestic sources not only are bright, but unusually clear cut. For a full decade prior to the war, the railroads coasted along as best they could with a large percentage of antiquated equipment, and under the drastic stress of military traffic for more than four years the condition of all classes of rolling stock naturally hit new and worrisome low levels. Repair bills soared mountainously, breakdowns proved costly and hauling expenses went up and up. Large scale replacements. (*Please turn to page 740*)

Position of Leading Rail Equipment Makers

Company	In Dollars Per Common Share 1936-9 Avge. Net	1941-4 Avge. Net	1945 Net	1944 E.P.T.	1945 Dividend	Recent Price	Price Earnings Ratio	Dividend Yield %	Investment Rating	COMMENTS
American Brake Shoe	$2.60	$3.23	$2.76(a)	$1.97	$1.65	$52	18.8	3.1	B2	Long established specialist. Business relatively stabilized by constant replacement orders. Backlog impressive. Dividend probably safe.
X American Car & Foundry	Def. 3.50	5.88	7.19Ap	2.54*	3.00	63	8.7	4.7	C+1	Second largest car builder. Prewar earnings erratic, but good recent record likely to continue. Improved finances, large backlog, gest dividend continuance.
X American Locomotive	Def. .90	2.95	4.83(b)	13.90	1.05	38	7.8	2.7	C+1	A leading builder steam and electric locomotives. Prospects bright and finances strong. Heavy tax relief should support earnings and dividend.
Baldwin Locomotive	Def. .89	3.85	1.75(a)	10.54	1.50	34	19.4	4.4	C+1	Ranks high in special field. Unfilled orders large and outlook promising. Achieving diversification. No change in dividend likely in near term.
X General American Transp.	3.34	3.48	2.94(a)	7.26	2.50	65	22.1	3.8	A2	Strongly financed old concern with stable earnings and dividends. Revenue from leased cars steadies profits. Maintenance of dividend assured.
General Railway Signal	.31	2.38	2.84(a)	N.A.	.75	43	15.1	1.7	B—2	One of two concerns with virtual monopoly of signal business. Outlook encouraging. Conservative dividend will probably continue unchanged.
Lima Locomotive	Def. .11	7.01	5.68	22.26	2.50	74	13.0	3.3	C1	Third largest factor in the industry. Should obtain impressive orders next few years. Substantial tax cushion should support conservative dividend.
New York Airbrake	2.18	3.97	2.28	2.30*	2.00	55	24.1	3.6	B1	Shares practically entire field with one competitor. Earnings variable but good wartime record should continue. Dividend amply earned.
Poor & Co. B	.46	1.43	1.22(a)	N.A.	.80	23	18.8	3.4	C+2	An imporatnt maker specialty track equipment. Finances improved by wartime operations. Prospects good. Small dividend probably secure.
X Pressed Steel Car	Def. 1.24(y)	2.02	1.31(a)	7.52	1.00	27	20.7	3.7	C+1	Third largest freight car maker. With working capital at peak level and good volume potentials, near term dividend maintenance seems probable.
Pullman	1.63	3.17	3.64(a)	7.70	3.00	63	17.3	4.7	B1	Largest maker of passenger cars. Alsa produces freight equipment. Should enjoy good sales for several years. Stable dividend well assured.
Superheater	1.13	1.79	1.25(a)	2.35	1.20	31	24.8	3.8	C+2	Well rated producer special equipment for both mobile and stationery power plants. Demand established. Dividend outlook reassuring.
Symington Gould	.54	.63	1.05(a)	Nil	.50	14	13.3	3.5	C1	Experienced maker heavy castings and specialties for use in railway equipment. Good industry prospects enhance potentials. Modest dividend safe.
Union Tank Car	1.67	2.39	1.94(b)	8.88	2.00	39	20.1	5.1	B2	Leading unit in car leasing field. Unusually stable nature of business, good prewar record, establishes confidence in continued dividend payments.
Westinghouse Air Brake	1.25	1.58	1.30	2.21*	1.25	35	26.9	3.5	B1	Oldest and largest in its field. Replacement orders already substantial, and prospects above-average bright. Dividend appears secure.

* 1945
Ap.—For fisal year ended April 30, 1945
(a) For 12 months ended September 30, 1945 (b) For 12 months ended June 30, 1945
N. A.—NOT AVAILABLE (y) 1937-9 Average. X—See Introduction—Page 703.



Electrical Equipment Companies

Photo by General Electric

Electrical appliances are moving into dealers' hands, but supplies continue restricted by strikes.

. . . . *Under New Competition*

By FRANK K. WALTERS

INVESTORS IN SHARES of the electric equipment concerns scanning daily stock market sheets, have discovered that prices for their favorites of late are by no means immune to the ebb and flow of speculative opinion. Question is whether near term or medium term potentials warrant the recent dip in prices or whether in the light of calm analysis the down trend has over-discounted such adverse factors as strikes and the new wage-price program. While the outlook is still obscure, it is timely to review whatever factual evidence presents itself.

As for strikes, these at the moment are generally confined to General Electric Co. and Westinghouse Electric. Much to the dislike of the main CIO, its electric affiliate in General Motors Corporation has settled on the line with a promised wage boost of 18½ cents per hour, but neither of the first mentioned concerns has thus far been inclined to adopt the G.M. pattern. Quite aside from the element of wages, of course, wrangles over numerous other details delay a final settlement, and it is anyone's guess just how promptly all arguments will be settled. Hopefully, this might occur soon and in that event the stage is all set to resume the race to achieve record peace-time output.

But while machines await only the touch of a hand to start humming, some time will be required to rebuild inventories of essential parts and raw materials, and the laborious process of training inexperienced workers to handle a legion of items quite different from those of wartime experience will further increase the lag. Optimists in the Civilian Production Administration predict that, judging by last December's splendid record, production of refrigerators, irons, electric ranges, washing machines, etc. should reach prewar levels by May or June. Such guesses, however, pre-suppose an almost immediate settlement of labor difficulties and gloss over collateral handicaps created by the general wave of industrial strife. Lack of special metals, wire, plastics or insulation would interrupt production schedules drastically, so that until a normal flow of such essentials becomes realistic, progress is likely to drag along rather dismally rather than at a rate to arouse cheers.

Industry's own view of the immediate outlook after strikes subside is based upon more practical experience than that of theorists in Washington. According to B. W. Clark, vice-president of Westinghouse, while nothing can stop the advent of a record-breaking demand for electric appliances, "The summer may come and go before appliances are available in quantities." Additionally this authority points out that while prior to the strike, employment by his division was only 400 under the pre-war peak, relative production had dropped to 40% due to shortages of materials, time-consuming training and other problems. Production costs of appliances, with reconversion practically complete, were almost double those of pre-war, but he might have added that these naturally would trend downward as output reached a higher level, except for the now prospective substantial boost in wages. Rising cost of both labor and materials, in the face of tight price controls now clouds the earnings outlook.

But to get away from the two leaders in the field for a moment, it is important to consider the other

numerous manufacturers of electric equipment which temporarily at least have not been hamstrung by strikes. As Washington seems to be bent upon establishing industry-wide patterns for wages, it must be assumed that after GE and Westinghouse get squared away again, demands for wage increases will spread like prairie fire throughout the entire industry, and that the trend will extend to practically all enterprises in our economy. To what extent strikes will enter the picture is indeterminable, and in many, if not most, cases bargaining may settle matters, but on a large scale general industrial production seems bound to lag for some months to come. Importantly supporting this premise, is the chaos about to arise in determining the relationship of wage cost to prices and the snarl of red tape which must be unravelled. Aside from production delays bound to occur and the amount of individual problems which must be settled by independent enterprises of every description, consider how these interruptions will in turn react upon the largest units first to settle their labor and price problems. Many industrial customers of concerns such as GE and Westinghouse are likely to become cautious in their purchases until the air clears, and conversely where they supply parts to the "big fellows," are likely to be slow in their deliveries. So interdependent is our economy that a problem for one segment is a problem for all.

While it is impossible for any outsider to measure the consequences of the wage-price program upon the operations of any selected concern, it is not so difficult to fathom some theories which are the base of much political and union thinking and ill-advised claims.

In 1944, the 167,000 employees of GE received an average of $2,772 in wages, adding up to a total of $464 million for the year. In relation to sales of $1.35 billion, the percentage of wage costs was about 35% for that year. Glancing back to operations for 1941, 109,000 workers were paid an average of only $2,346, totalling $257 million or about 40% of a volume level of $679 million. But despite the disparity in percentages and volume, per share net earnings in 1944 were $1.76 in 1944 against $1.99 in 1941, because of the impact of EPT. Assuming that peacetime volume declines level off at the 1941 figure and that the number of workers correspondingly falls off to match, if their pay were held at peak war-time figures, operating costs would mount by about $47 million. Offsetting this rise, however, $80 million of EPT need no longer be charged against income, leaving a further margin of $33 million to absorb additional material, sales or administrative costs, and to this might be added a few million for reduced (*Please turn to page* 741)

Position of Leading Electrical Equipment Stocks

Company	In Dollars Per Common Share: 1936-9 Avge. Net	1941-4 Avge. Net	1945 Net	1944 E.P.T.	1945 Dividend	Recent Price	Price Earnings Ratio	Dividend Yield %	Investment Rating	COMMENTS
Apex Electrical Mfg.	$2.07	$2.04	N.A.	$5.03	$1.00	$33	—	3.0	C+2	Important maker vacuum cleaners, washing machines and ironers. Earnings erratic but fairly sustained in good times. Tax cushion improves dividend outlook.
Black & Decker Mfg.	1.98	2.35	2.13Se	5.64*	1.60	36	16.9	4.4	B—2	Long established producer electrically driven tools. Heavy industrial demand enhances potentials. Dividend amply earned.
Chicago Flexible Shaft..	2.54	2.28	2.17	.65*	1.40	42	19.3	3.3	B2	Strongly entrenched in special field. Prospects bright. Long successful record and excellent financial condition favor continued dividend payments.
Cutler-Hammer	1.18	2.44	2.27(a)	7.90	1.50	35	15.4	4.2	B—2	A leading maker of controls for motor-driven machinery. Good trade position and heavy prospective demand brightens medium term prospects. Dividend easily covered.
X General Electric	1.53	1.71	1.92(a)	4.28	1.55	46	23.9	3.3	A2	Ranks first among domestic makers electrical goods. Will benefit from worldwide demand for products. Working capital at peak. Dividend probably safe.
Master Electric	2.15	2.95	2.62(a)	6.56	1.40	35	13.3	4.0	B2	Specializes in production broad line of motors and generators. Well entrenched in trade. Above-average stability earnings. No change dividend likely.
X McGraw Electric	2.25	2.16	1.71	.19*	1.50	35	20.2	4.2	B2	Well rated maker of electric toasters and waffle bakers. Distribution facilities excellent. Favorable dividend record unlikely to change.
Square D Co.	2.53	4.69	4.22(a)	9.32	2.00	62	14.6	3.2	B2	A leading maker electrical devices and supplies. Diversification enhances volume potentials. Good financial position favors dividend stability.
X Westinghouse Electric..	1.36	1.71	1.68(a)	4.99	1.00	34	20.2	2.9	A2	Oldest and second largest in electric equipment field. Strong trade position, broad diversification bolster potentials. Current dividend probably safe.
Weston Electric Inst.	1.76	3.49	1.93(a)	10.26	1.70	43	22.2	3.9	B2	Specialist in production measuring instruments for electric controls. Good prewar record and prospects. Conservative dividend rate well assured.

* 1945. Se Fiscal year ended September 30, 1945.
(a) For 12 months ended September 30, 1945.

N.A. Not Available.
X See Introduction, Page 703.

Opportunities...

for Income and Price Appreciation

IN BONDS And PREFERRED STOCKS

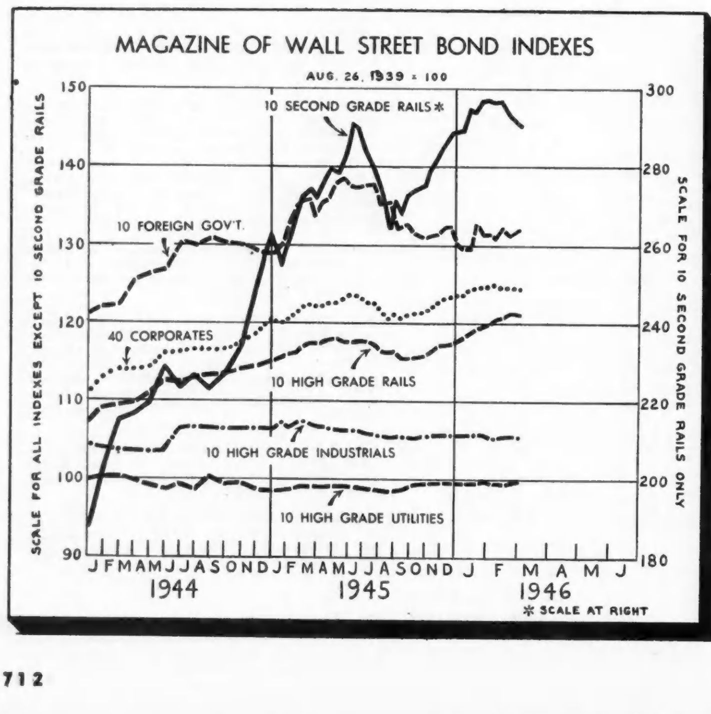
By JACKSON D. NORWOOD

THE MAGAZINE OF WALL STREET's Index of Bond Prices showed the following changes for the period indicated:

	On Feb. 23	On Mar. 2	
40 Domestic Corporates	124.8	124.5	— .3
10 High Grade Rails	121.3	121.2	— .1
10 Second Grade Rails	293.2	290.1	—3.1
10 High Grade Utilities	99.6	99.9	+ .3
10 High Grade Industrials	105.3	105.3	..
10 Foreign Governments	131.2	132.0	+ .8

The moderate recession in bond prices over the past fortnight carried prices to the level of early February. Average yield were still somewhat under 3 per cent as compared with better than 3.25 per cent a year ago. Volume of bond trading on the New York Stock Exchange showed a rather marked contraction in recent sessions. In the preferred stock section, prices of some of the medium grade issues have yielded ground along with the general decline in the stock market. On the other hand, a number of non-callable preferreds have moved counter to the general trend, reaching new highs. U.S. Gypsum 7% preferred, for example, sold at 204¼, at which levels the yield is less than 3.5 per cent.

According to the Exchange, of the 341 preferred stocks listed on the New York Stock Exchange which paid dividends in 1945, 246 issues at the end of the year were selling to yield between 3.0 per cent and 4.9 per cent. For all issues the average yield was 4.2 per cent compared with a yield of 4.7 per cent a year ago. Only 82 issues were selling to yield 5 per cent or better, while 13 were quoted on a basis to yield less than 3 per cent.



In the offing are a number of sizeable refunding issues, including a $54 million issue of bonds and debentures by Illinois Power Co., and $81,602,200 of refunding bonds by Union Pacific. It is also reported that Great Northern is contemplating refunding $100 million of 1960, 1970 and 1980 maturities issued as recently as 1944. In addition, a number of leading public utility companies are in a position to take effective advantage of current low money rates and refund outstanding bond and preferred stock issues. Mentioned prominently in this connection are Consolidated Edison of N. Y. subsidiaries of Commonwealth & Southern, American Power & Light and Milwaukee Gas Light.

At the present time there is nothing to suggest that investors are likely to obtain early relief from the attrition in the rate of income return on fixed-income securities. So long as the Government "holds the line" of low inter-

est rates, investors must reconcile themselves to the recurring problem of replacing refunded issues with other suitable mediums on a low yield basis, or accept lower quality issues for their higher return, together with the increased risk implied in such procedure.

AMERICAN WOOLEN COMPANY: This company is considering a plan of recapitalization for the purpose of eliminating accumulated dividends on the preferred stock, the arrears on which now total $58.75 a share. It is thought that a net reduction in this amount is not impossible and may be regarded as probable. However, it is improbable that earnings will permit payment of the entire accumulation which must happen before dividends can be made on the common stock. The reduction of 11.1% in sales last year below 1944 was not due to insufficient orders, but rather to the company's inability to produce as much as the market would absorb. Incidentally, the company has had no occasion to borrow money from banks during the past year. The company recently declared $2.00 on account of arrears on the preferred stock, payable March 20, 1946, to stockholders of record March 5th.

Suggestions for Current Investment Funds

Bonds:	Recent Price	Call Price	Current Yield
Amer. & For. Pwr. Deb. 5's, 2030	$108	$106	4.7%
Intl. Tel. & Tel. Deb. 5's, 1955	106	105	4.7
Lehigh Coal & Nav. S. F. 3½'s, 1970	106½	105	3.2
N. Eng. Gas & Elec. Assn. Deb. 5's, 1950	100¾	100½	4.9
N. Pacific Ref. & Imp. 5's, C, 2047	110	105*	4.5
Pittsburgh & W. Va. 1st 4½'s, 1958-60	101	102	4.4
Southern Pacific Deb. 4½'s, 1981	107	110	4.2
Preferred Stocks:			
Associated Dry Goods $7 2nd Pfd.	136	N.C.	5.0
Baldwin Locomotive $2.10 Pfd.	42½	40	4.9
Barker Bros. 4½% ($50 Par) Pfd.	54½	55	4.1
Columbia Gas & Elec. $6 Pfd.	110	110	5.4
Curtis Publishing $4 Prior Pfd.	75	75	5.3
Sharon Steel $5 Pfd.	102½	105	4.8
Stokely-Van Camp $1 Prior Pfd.	22½	21	4.4

N.C.—Not callable. *Not prior to July 1, 1952.

PENINSULAR TELEPHONE COMPANY: The company has announced its intention to call the presently outstanding 100,000 shares of $25 par value preferred stock bearing a $1.40 dividend rate per share. It is intended to replace the called stock by a new issue of 80,000 shares of $25 par value preferred stock, bearing a $1.00 dividend rate per share annually. The owners of preferred shares will be offered an opportunity to exchange 80% of each stockholder's shares for the new preferred shares, on a share for share basis at a price to be determined later. In addition to the new preferred shares to be issued, it is intended to extend rights to the common stockholders to purchase from the company one share of common stock for each five shares of the presently outstanding common stock they hold. These rights when issued may be exercised in the purchase of additional common shares at a price expected to be around $30.00 per share and the funds obtained thereby will be used in the main to reduce the amount of preferred stocks from the 100,000 shares of $1.20 preferred now outstanding to the 80,000 shares of preferred stock to be issued. The annual meeting of the stockholders of this company will be held on March 27th and it is expected that the company's charter will be amended to permit the issuance of the new preferred stock and that the new Board of Directors, which will then be elected, will make the call of the $1.40 preferred stock effective May 15th, the first dividend date thereafter.

ELASTIC STOP NUT CORP.: This company has called for redemption on April 15th, at 103 and interest, its outstanding issue of 5% sinking fund debentures due 1959, payments to be made through Guaranty Trust Company of New York City. It should be noted that stock purchase warrants annexed to the debentures will become void if not exercised before retirement.

GENERAL MOTORS CORP. $5 CUMULATIVE PREFERRED STOCK: This company's preferred stock has had a price range in the last year of: High 132; low 125; Last 128½. At the latter price, we would point out to our readers that it is still selling 8½ points above the redemption price of $120 per share. Investors too often disregard the call price when holding or purchasing callable preferred stocks or bonds. No matter how attractive such issues may be, one should not hold or buy when the market price shows a substantial premium, especially where the company's credit is A-1, which would permit replacing a $5 dividend preferred stock with one paying a smaller dividend rate. Other high grade preferred stocks selling well above their call prices are: International Nickel, selling at 140 and callable at 120, DuPont $7 preferred stock, selling at 129 and callable at 120.

ATLAS CORPORATION: This company has called for redemption on April 1st at $55 a share and accrued dividends, all remaining outstanding shares of its preferred stock. Funds required for redemption will be taken by the company from the treasury resources.

EVERSHARP, INC.: All 4½% debentures due 1965 will be redeemed March 23, next. Until March 18, debentures will be convertible into common stock at $40 a share. Privilege expires after latter date.

BUILDING Your Future Income...

EDITORIAL:

THE JOY IN SUCCESS

THE BIGGEST FACTOR in success is enthusiasm for your work—otherwise we create nothing—but become a mere cog in the machine. And it helps too, to have a goal and a dream to make our work alive, fresh, and interesting.

The most disillusioned people are those who have expected a great deal out of life, but have only given lip service to their tasks. This is particularly true of those who long for success but never dig beneath the surface for it. And yet—that is the only way to acquire the necessary background and knowledge. Moreover, they miss that creative urge—that inspiration—the depth of satisfaction—which are the rewards of achievement.

There is greater enjoyment in achievement than in the monetary rewards, no matter how large. Money is spent, but when you do a good job, you have endowed it with the sense of accomplishment.

When you invest in yourself you are certain to get out of it what you put in, and a substantially greater return than you can secure from any kind of investment.

• This Department is dedicated to serve men in building up a reserve through every known means that will create stability—bringing the comforts and joys of life—and happiness.

It's our contribution, too, toward the firming of the foundation of our economy so that we will retain our status as free men and women in a new world.

To you, our subscribers, we extend an opportunity to assist in spreading this doctrine toward security and right thinking—in the schools and universities, and in your own homes and offices.

We are happy to cooperate and serve.

C. G. Wyckoff, Publisher.

ANSWERS TO INSURANCE *Inquiries*

By EDWIN A. MULLER

Providing for Heirs

Insurance Editor: I have followed your page with a good deal of interest. I have a problem with which I am sure you can help me with some good advice as to annuities.

At my death (I am just 76 now) I shall leave my daughter with what will seem to her a large amount. Neither she or her husband know how to manage, nor how to save money. Today is all that there is to them.

My will leaves it all to her, she being the only natural heir. As I have watched with alarm how she and her husband almost throw money away, I have thought of changing it so that she will get only half; and of putting the other half into an annuity.

Here is the situation:

I am carrying three $5000 policies on her husband and another relative, so written that they cannot change the policies, in which, in addition to her receiving the usual death awards, at their ages of 65, (they are both the same age as she is) the policies are automatically converted into annuities for her. This annuity will total over $100 a month.

But what about her welfare before that time. She is now 38, and, if I live to the average age of my family, she will be between 42 and 47 when I die.

Half of what she will inherit will be over $20,000. Is there a form of annuity that can be bought with a total down payment by my administrator for this amount, which will pay so much a month up to, and including her 65th birthday, which will be good for this purpose?

In answering suppose that she is 45 when she inherits. I would consider $100 a month good security for her.

What is the type of annuity you would advise? At the present time, what can an annuity paying $100 a month for 20 yrs. be bought? I take it for granted that you are forbidden to recommend companies. I shall appreciate your answer.

L.A.Q., Seattle, Wash.

THE details as related in your letter are not unusual since money management is really a very difficult thing for many people to accomplish. You are fortunate in having made a will, but do not forget that changes or modifications should be made as conditions change.

If I understand correctly you have made provision with respect to the life insurance policies you are carrying, to have the proceeds payable as income under the settlement options in the policies. This is most satisfactory for all concerned. In so far as utilizing annuities to provide a supplementary income you have several choices open.

(1) You can provide in your will that your executor be authorized to purchase an annuity on your daughter based on her age at the time of your death. This annuity should be effected so that no one can commute or modify the income payments. However, the rate of yield will be based on annuity rates in force at that time, on her then age.

(2) You can purchase now at present rates what is known as a Temporary Annuity. This will pay a monthly income for a specified number of years only, so that for example a Temporary Annuity based on your daughter's age 38, paying $100.00 per month will require a deposit of $20,408.00 for an income over a 20 year period or through age 58, or a deposit of $25,260.20 to yield an income of $100.00 a month over a 27 year period or through age 65.

These rates are based on the rates of one of the larger companies. This Temporary Annuity will provide an income which will supplement the income your daughter will receive under the life insurance policies, thereby providing a certainty of money management for her.

The Temporary Annuity is the equivalent of a Term Policy. A Term Policy is effective for a definite term of years in which the proceeds of the policy are payable if death occurs during this time.

For such other of the funds in your estate which will be left after providing for the purchase of the annuities you could authorize and direct your executor to pay this in installments to your daughter and in this way prevent her from receiving a lump sum which might be dissipated.

Photo by Ewing Galloway

Annuities provide an excellent means of safeguarding an inheritance.

Plan BEFORE YOU BUY

—Time Spent in Assembling Ideas Will Pay Handsome Dividends.

☆ ☆ ☆

By JOSEPH E. CUMMINGS

Photo by Ewing Galloway

The first, and most important step, in home ownership is careful and expert planning.

THE URGENCY FOR NEW HOMES is so acute that many prospective buyers will feel that they are forced to accept almost anything in the way of housing which is available. If you have never owned or rented a home before, you may feel that buying a home is pretty much the same as buying an automobile—relying on the reputation of the manufacturer and making your choice on the basis of eye-appeal and riding qualities. If you do you may find yourself living in a home that is something less than a "dream cottage".

Your need for a new home may be immediate but the cold fact is that very few are available and it is likely to be some months before this condition changes for the better. This will give you the necessary time in which to plan your home and decide exactly the type and size house which will best fill your requirements.

If you have previously owned or rented a house, you will already have a pretty good idea of what you want and don't want in any house which you own. But if you lack this advantage, your next best bet is to ask suggestions from your friends and relatives who own homes. Their ideas may not be applicable in your case, but they will stimulate your own planning. To further help you there is a veritable host of magazines and books devoted to the subjects of home planning and decoration. The only trouble here is that you are offered such a vast array of homes and ideas from which to choose that the net result is that you may be more bewildered than ever.

If you already own a piece of property and are planning to locate your new home on it, determining the style of architecture will be your first step in planning. Your heart may be set on a Cape Cod cottage, but if the majority of the homes in your prospective neighborhood have an English appearance, yours will be conspicuously out of tune. Likewise do not build a bungalow in a neighborhood of comparative mansions. This does not mean that you have to abandon any ideas which you may have to lend distinction to your own home, simply try to visualize them in their actual setting.

The next step is to decide what you *don't* want in your house. The whole family should contribute their ideas on that score. If you lean toward a sun porch, for example, remember they are difficult to heat and have a lot of extra glass to keep clean. A terrace might be much better and serve the same purpose. Don't locate your breakfast nook on the north side of the house; it may be cold on winter mornings when the family assembles for breakfast. Locating your main bedroom on the south or west sides of your house will insure ample sunshine during the day, but they will be slow to cool off at night in the summer. Do you really need a dining room? A combination living-dining room might suffice for your needs, and give you the extra spaciousness. Don't neglect the item of storage space. Plenty of storage space may tend to encourage the saving of a lot of otherwise useless junk, but it also gives you a place to keep tools, garden implements, storm windows, screens and Junior's skates, sled, bicycle and what have you. You can never have too many closets, including special purpose closets, such as one off both the front and rear foyers for hanging (*Please turn to page* 742)

Small Business *Looks To* WASHINGTON

★ ★ ★

By WILLIAM A. HOWELL

Photo by Ewing Galloway

Small business is being whipsawed by lack of merchandise and ceiling prices.

THERE IS A GROWING CONVICTION among small businessmen that the Washington planners, deliberately or otherwise, are making small business smaller and big business bigger.

The large corporations are finding plenty of headaches in the new wage-price formula, but to many a small businessman it spells nothing short of disaster. So far his plight has not received much sympathetic consideration in Washington. Legislators evince sympathy, but they have failed to back it up with any real action.

The list of the small businessman's grievances is a lengthy one and on it has been superimposed the unwieldy and confused price-wage formula. This latest bureaucratic device attempts, in effect, to raise wages as a means of forestalling deflation, while holding prices down to prevent inflation. Applied to steel and other basic materials it will mean that the inadequate staff of the OPA will be swamped by applications from small firms for price relief. Long delayed action on such applications will mean losses to small business which it can ill afford.

Nothing to Sell

Small retailers are being forced to turn away hundreds of dollars in business every day, because of inability to obtain supplies of textiles and wearing apparel, held off the market by manufacturers until pricing difficulties and inequalities are ironed out. Numerous conferences between the CPA and OPA have been held, but nothing has come out of them which would speed up deliveries of scarce items.

In still another quarter, the small businessman is having tough sledding. He is having little or no success in his efforts to acquire surplus war supplies and materials. He is being snowed under by the superior purchasing power of large wholesalers, chain stores and mail order houses.

New Loan Proposals

The interests of small business are close to the heart of Secretary of Commerce Wallace, but to date such assistance as has emanated from this source has consisted mostly of advice in the form of pamphlets and bulletins. The Department has also outlined a loan plan. This plan would enable any "worthy business enterprise" able to furnish 25 per cent or more of its total capital requirements to obtain a loan. A Federal agency authorized by Congress for that purpose would guarantee up to 90 per cent of the loan. Loans could be made for a period up to fifteen years and interest could not exceed 6 per cent, of which a part would go to the guaranteeing agency as an insurance premium. Provision would be made to repay the loan from operating profits and at a rate which would be greater in good years and less in poor years. There would also be a moratorium provision which become effective in the event of unforseen emergencies.

But the small business man is not so urgently in need of financial assistance as he is to be relieved from complex and myriad bookkeeping procedures, reports, questionnaires and seemingly endless red tape.

FOR PROFIT AND INCOME

Spring Markets

Early spring in the stock market is a fickle season: unreliable and inconsistent. Over the last 50 years the industrial average has had a net decline in 28 years, a rise in 22 years, during the month of March. For April the record has been declines in 26 years, advances in 24. More often than not the net changes in each of these months were small. So far as the back record goes, March is not as bad as it is supposed to be; while April has been poorer than is popularly imagined. To cite more recent history, out of the last 10 years, March brought declines in 5, advances in 5; while for April it was declines in 7 years, advances in only 3. Of course, it is possible to make money in the market in every month of the year—by hindsight and on paper.

Good Yields

Good-grade stocks offering dividend yields of 4.3% to 6%, as this is written, include Atchison, Bayuk Cigars, Beneficial Industrial Loan, Chesapeake & Ohio, Consolidated Gas of Baltimore, First National Stores, Freeport Sulphur, Household Finance, Kroger Grocery, Loew's, Louisville & Nashville, Pacific Gas & Electric, Philadelphia Electric, Southern California Edison and Virginian Railway. We are talking, of course, about income-investment. If you are out to double your money in speculation, look elsewhere.

California Packing

This is a fairly conservative semi-speculation. The company is the largest packer of fruits and vegetables, second-largest packer of canned foods in general. Earnings (a bit over $3 a share in recent years) may well approach $5 in the current fiscal year, due to large volume and tax relief. The $1.50 dividend not improbably will be increased.

Mack Trucks

Selling around 70 on estimated 1945 net of about $5.50 a share, and paying a $3 dividend rate, Mack Trucks does not "look" cheap. However, the demand for its products is "out of this world," earnings could double recent-year figures, working capital is over $55 a share and the dividend could be raised sharply. Our prediction is that it will be. When? Before this year is out.

On The Way

Outstanding consumer credit rose $800 million last year to a total of $6.6 billion as of Dec. 31, according to estimates of the Federal Reserve Board. It was still about a third under the 1941 peak. Most of the rise has been in charge-account store credit and home modernization loans. The commercial banks have benefitted more from it so far than the financing companies, for the latter need active sales of automobiles and the more expensive types of household apparatus; and this is still in the future. Earnings of finance companies fell further (with the exception of small-loan outfits) during the final months of 1945, due partly to the low volume of receivables, partly to the expense of opening additional branch offices and otherwise getting ready for good times. On clearly indicated earnings-dividend potentials, both C. I. T. Financial and Commercial Credit appear to be in a buying zone. Yes, we know they will have more bank competition; but the banks, in consumer financing, are belatedly following where the finance companies have been leading for many years. The latter are best equipped with know-how. They are also just plain "smart," and flexible. By the time the commercial banks catch up with what they used to do, they'll probably be doing it better, or doing something else to boot.

Cement Stocks

The cement stocks have been giving a better-than-average market performance, climbing back close to their bull market highs on only small, technical rallies for the general list. The reason is clear. No matter how many emergency regulations the Administration throws around building, the demand for materials will exceed supply for a long time to come. That means firm or rising prices, whether or not smoke-screened by Federal subsidies here and there. And apparently the cement makers are not much concerned over OPA. Lone Star Cement's management expressed its confidence in the outlook some weeks ago with a sizable year-end extra, and now it has doubled the regular quarterly rate. This is the best stock in the group. Lehigh Portland Cement is not much below it in over-all investment status.

Store Stocks In Test

Retail stocks advanced much more than the industrial average both for the bull market as a whole and on the great phase of advance since the end of the Jap war. Such a market background would justify—indeed, dictate—a greater than average decline on a general reaction as severe as that since February 2, unless there were non-technical reasons to the contrary. There are. These companies have a relatively open road to higher earnings and dividends—radically higher in many cases. So they have continued to act better than the market, as is logical. The group, at worst, cancelled less than a third of its post-war rise, against one-half for the industrial average. These very likely will be among the first stocks approaching or passing their old highs as better action of the general market permits.

Some Others

As long as Washington continues on a managed-economy basis, ballooning wages, trying to sit on prices and giving only lip service to "fair profits," no business will be free of a certain amount of headaches. It is a question of degree. Some lines have big headaches, some only small ones. We have cited retail trade as having a clear road to excellent 1946 profits, and relatively few headaches. Others in a similarly happy state are chemicals, drugs and proprietary products, paper, rayon, most food processors, and liquors.

Textiles

There is not any doubt that OPA muddling is partly responsible for the shortage in textiles and clothing. However, the recent further boosting of price ceilings—belated as usual—will make considerable difference. In any event the whole field is in for excellent earnings this year and probably next also. Most of the stocks lack investment status on a long-term average earnings basis, exceptions being Cannon Mills and Pepperell Manufacturing. Still, this department continues to prefer such rayon issues as Celanese and Industrial Rayon. They are favored by as much pent-up demand as cottons or woolens, plus strong basic growth trends, superior control of costs, operating flexibility.

More "Accidents"

We said before that the sad case of Philip Morris (the stock which "fell out of bed") would not be unique. Last week the lightning—in the form of omitted dividends — hit Chicago Pneumatic Tool and Cooper-Bessemer. There will be a lot of this sort of thing as poor earnings and dividend news comes out; but also a lot of good news. Indeed, the general dividend trend is up. The thing to do is to go for stocks of companies which have a minimum of managed-economy-OPA headaches.

On The Other Hand

The first half-way decent rally in the averages permitted a fair number of well-situated stocks to make new bull market highs. A few of them are Briggs & Stratton (which we recommended here some time ago); Barnsdall Oil (aided by the boost in crude price ceiling); Holland Furnace, Reliable Stores, Twentieth Century-Fox and Western Auto Supply.

International Stocks

Stocks which rose on hopes of a bright new day in international relations have recently been sagging. We don't know why this should surprise anyone who can read the newspapers. International Telephone has been especially hard hit. Although the company has disposed of its Spanish properties, the terms of the sale included $38,000,000 in cash and $50,000,000 in Spanish government securities. The threat of serious internal disorder in Spain casts a cloud of uncertainty over the ability, and possibly the willingness of the government to honor its obligations. The whole matter may in time be adjusted without serious disruption, but until the situation clarifies, it is likely to find sensitive reflection in the shares of I.T.&T. This is, as always, a stock which defies statistical analysis. You must take it, or leave it, on faith. We continue to leave it.

Yield Factors

Whether the Treasury will retreat a little bit on its ultra-easy-money policy—under the needling of the insurance companies, banks and the Federal Reserve Board—it is not yet certain. But it is possible that the long bull market in top-grade bonds has about topped out. If so, declining bond yields will be eliminated as one of the factors making for higher common stock prices. That is not as important as some might imagine. On an average, representative industrial stocks now yield around 50% more than first-rank bonds. No conceivable firming of long-term interest rates—with the money market 100% in the grip of the Government will significantly change this spread in favor of bonds. In modern times no bull market in stocks has ever ended with the yield factor so greatly favorable to stocks as it is now. Moreover, average dividends are facing a rise. At the tops of the two preceding great bull markets (1929 and 1937) stocks either yielded less than bonds or about the same. Such a relationship, or something close to it, probably will be seen again eventually.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. If not now a paid subscriber use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

Consolidated Textile Co.

Having recently subscribed to your magazine, am anxious to get a report and your opinion on Consolidated Textile Co., Inc., they operate Ella Mfg. Plant at Shelby, N. C., Lynchburg Cotton Mills, Lynchburg, Va., Windsor Print Works, North Adams, Mass.

The stock is listed on the Curb. Cannot find out much at our local brokerage office other than that it is traded in on the Curb. This stock looks to me as though it would be right in line now for a long period of booming business. Cannot find out much as to how the financial condition of the company is, that is why I am writing you and wish you would look this up.

W. H., Butte, Montana.

We have given careful consideration to your inquiry on Consolidated Textile Co.

This company was incorporated in Delaware August 27th, 1938, to acquire (pursuant to a plant of reorganization dated February 24, 1938) assets of the Consolidated Textile Corporation (incorporated in Delaware September 27, 1919). Company is engaged in business of manufacturing, finishing and dealing in cotton textiles. Owns and operates the following plants: (1) Lynchburg plant, located at Lynchburg, Virginia, 65,920 spindles and 1632 looms, with an estimated annual production capacity of 24,574,000 yards of cloth. (2) Ella plant, located near Shelby, North Carolina, 12,224 spindles and 260 looms, with estimated annual capacity of 4,200,000 yards of cloth. (3) Windsor Print Works, located at North Adams, Massachusetts, and equipped to handle a large variety of finishing work.

Net sales for year ended August 31st, 1945, amounted to $10,806,977, compared with $10,571,788 in 1944. Net profit amounted to $464,185 which is equivalent to 92¢ a common share, compared to $1.11 in the previous year. Balance sheet as of August 31st, 1945, showed total current assets of $2,202,786 which included cash and U. S. Government securities of $574,885. Total current liabilities amounted to $361,163, leaving net current assets of $1,841,623. This indicates a satisfactory financial condition. Dividends paid in 1945 amounted to 30¢ a share.

The cotton textile manufacturing business is highly competitive and speculative in normal peacetimes. The near-term outlook for this company is promising.

Lamson Corporation

I own 100 shares of Lamson Corporation of Delaware. Please advise outlook for company and whether I should hold or sell.

D. M., Brooklyn, N. Y.

Lamson Corporation of Delaware was incorporated in Delaware, July 1st, 1899, as the American Pneumatic Service Co.; present title adopted April 7th, 1941, at same time the Dover Equipment Co., a wholly owned subsidiary, was merged.

Recent annual earnings were as follows:

1941	1942	1943	1944
0.36	1.26	1.54	1.44

Dividend 75¢ a share

As there is a large deferred demand for pneumatic tube systems from wholesale and retail establishments and other kinds of businesses, and also a large demand for conveyor systems by industrial corporations as a labor saving device, outlook for the company is favorable and we recommend retention of your holdings.

Dividend Payer Preferable to Speculation in Standard Gas & Electric $4.00 Preferred

I am thinking of purchasing 100 shares of Standard Gas & Electric $4 preferred at current market of 43. Do you consider this stock a good investment?

D. G., Peoria, Ill.

In the amended recapitalization plan of Standard Gas & Electric Co., the $4 preferred is to receive one-third share of new common stock upon surrender of present shares and the waiver of accumulated dividends.

The substantial advance in utility stock prices in recent months has strengthened demand by preferred shareholders for a revised plan that will give them greater consideration. This matter is now pending and outcome is still in doubt.

The $4 preferred sold as low as 2¾ in 1945 so that current market of 43 very liberally appraises improved position. This stock cannot be regarded as an investment, it is highly speculative and yields no dividend return. We do not recommend purchase as an investment.

★ **The Business Analyst**

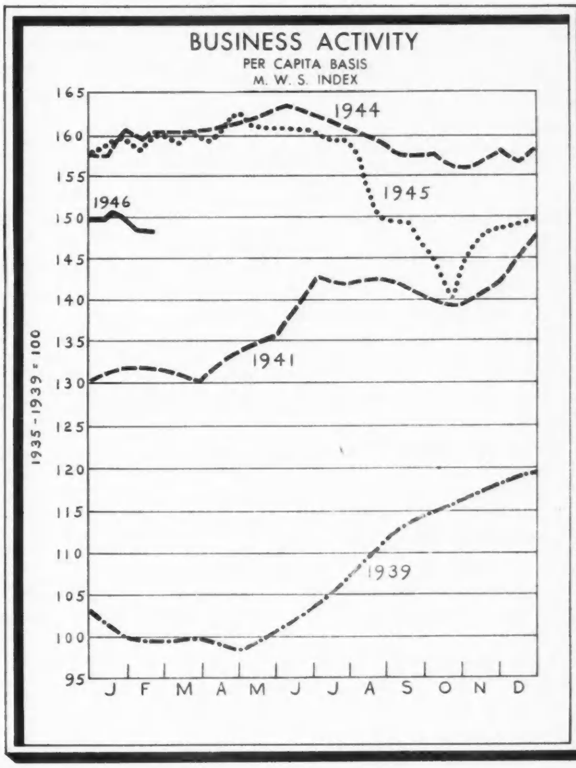
SUMMARY

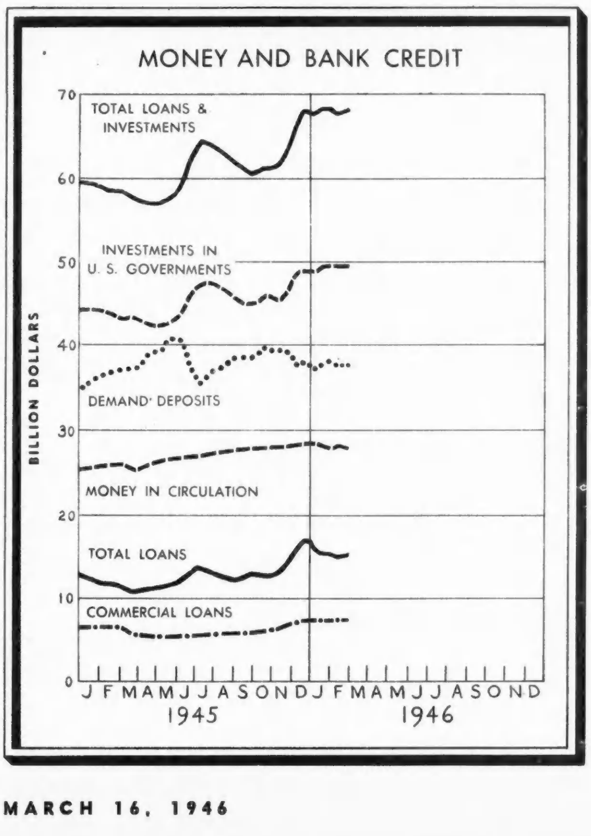
MONEY AND CREDIT—With receipts running above, and expenditures below, original estimates, there are now prospects that the 1947 fiscal year Federal budget may be better than balanced. Federal Reserve Board opposes the Treasury's low interest policy, which promotes inflation and industrial strife, while discouraging thrift and speeding the drift toward state socialism.

TRADE—Scramble for merchandise continues, with department store sales in week ended Feb. 23 at 20% above last year, compared with a cumulative increase of 16% for the year to date.

INDUSTRY—Due largely to the steel strike, business activity in February averaged 6% below last year, compared with a decline of only 5% in January. With little prospect of abatement in the epidemic of work stoppages in the near future, first and second quarter earnings will be decidedly spotty. Strike by coal miners, scheduled for April first, may be prolonged and costly.

COMMODITIES—Farm block demands, and is getting, higher prices. In consequence of the higher price paid by our Government for this year's Cuban crop, the wholesale ceiling on raw sugar has just been raised to 4.205 cents, from 3.75 cents. Cotton, the only one the 14 components of the M. W. S. Raw Materials Spot Price Index upon which there is no ceiling, has soared to a new 22-year high. These two items account for the recent sharp rise in this index.





Since our last issue **Business Activity** has fluctuated within narrow limits at a level fractionally more than 6% below last year at this time. This publication's Business Index for February, at 160.8% of the 1935-9 average, was 1.7 point below January and about 6% below January, 1945. On a per capita basis, the Index averaged 148.3 in February, compared with 150.0 for January and 159.1 in February of last year.

* *

Government catering to the self-centered demands of **Organized Pressure Groups** is bound to cause costly delays in getting the nation's production up to capacity. Business executives, and hence stockholders indirectly, commanding only a relatively small number of votes, are being told that they must accept wage and material cost increases now, and trust bureaucratic beneficence to grant unspecified price relief at some indefinite date in the future.

* *

The **Steel Strike Settlement** was reached only after the Government granted specific price relief then and there, but business is warned that this must not be taken as a precedent. Steel consumers (including the railroads) must pay more for their raw materials; but do not know what they can charge for their products. When their turn comes to meet demands for wage increases they must be expert crystal gazers to decide how much they can afford to grant.

(Please turn to following page)

Inflation Factors

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
MILITARY EXPENDITURE (tf) $b	Feb. 27	0.65	0.65	1.73	0.43
Cumulative from Mid-1940	Feb. 27	329.3	328.6	258.8	14.3
FEDERAL GROSS DEBT—$b	Feb. 27	279.1	279.0	233.5	55.2
MONEY SUPPLY—$b					
Demand Deposits—101 Cities	Feb. 27	37.6	37.7	37.0	24.3
Currency in Circulation	Feb. 27	27.9	28.0	25.8	10.7
BANK DEBITS—13-Week Avge.					
New York City—$b	Feb. 27	7.76	7.78	7.00	3.92
100 Other Cities—$b	Feb. 27	8.52	8.48	8.24	5.57
INCOME PAYMENTS—$b (cd)	Dec.	14.25	13.08	14.41	8.11
Salaries & Wages (cd)	Dec.	8.49	8.54	9.65	5.56
Interest & Dividends (cd)	Dec.	2.06	0.54	1.83	0.55
Farm Marketing Income (ag)	Dec.	1.77	2.21	1.70	1.21
Includ'g Govt. Payments (ag)	Dec.	1.79	2.25	1.75	1.28
CIVILIAN EMPLOYMENT (cb) m	Jan.	51.4	51.4	51.6	52.6
Agricultural Employment (cb)	Jan.	6.8	7.2	7.2	8.9
Employees, Manufacturing (lb)	Jan.	12.0	11.9	15.6	13.6
Employees, Government (lb)	Jan.	5.5	5.8	5.9	4.5
UNEMPLOYMENT (cb) m	Jan.	2.3	2.0	0.7	3.4
FACTORY EMPLOYMENT (lb4)	Dec.	121	122	163	147
Durable Goods	Dec.	134	137	220	175
Non-Durable Goods	Dec.	111	110	119	123
FACTORY PAYROLLS (lb)4	Dec.	216	213	337	198
FACTORY HOURS & WAGES (lb)					
Weekly Hours	Dec.	41.6	41.2	45.6	40.3
Hourly Wage (cents)	Dec.	99.7	99.1	104.0	78.1
Weekly Wage ($)	Dec.	41.43	40.82	47.44	31.79
PRICES—Wholesale (lb2)	Feb. 23	107.4	107.2	104.8	92.2
Retail (cdlb)	Dec.	143.0	142.2	139.6	116.1
COST OF LIVING (lb3)	Dec.	129.9	129.3	127.0	110.2
Food	Dec.	141.4	140.1	137.4	113.1
Clothing	Dec.	149.4	148.7	142.8	113.8
Rent	Dec.	108.3	108.3	108.3	107.8
RETAIL TRADE $b					
Retail Store Sales (cd)	Dec.	8.28	7.04	7.43	4.72
Durable Goods	Dec.	1.25	1.10	1.00	1.14
Non-Durable Goods	Dec.	7.03	5.94	6.43	3.58
Dep't Store Sales (mrb)	Dec.	0.96	0.74	0.88	0.40
Retail Sales Credit, End Mo. (rb2)	Dec.	2.83	2.66	2.69	5.46
MANUFACTURERS'					
New Orders (cd2)—Total	Dec.	190	184	238	181
Durable Goods	Dec.	169	171	276	221
Non-Durable Goods	Dec.	203	196	216	157
Shipment (cd2)—Total	Dec.	194	203	284	183
Durable Goods	Dec.	192	202	390	220
Non-Durable Goods	Dec.	195	204	210	155
BUSINESS INVENTORIES, End Mo.					
Total (cd)—$b	Dec.	27.0	27.6	26.6	26.7
Manufacturers'	Dec.	16.6	16.7	16.7	15.2
Wholesalers'	Dec.	4.3	4.2	4.0	4.6
Retailers'	Dec.	6.1	6.7	5.9	7.2
Dept. Store Stocks (rb)—I	Dec.	142	150	136	139

PRESENT POSITION AND OUTLOOK

(Continued from page 721)

In consequence of this dangerously lop-sided Government **Policy** of encouraging cost boosts while obstructing price relief, industry appears to be heading into a long series of costly and needlessly prolonged work stoppages with far flung ramifications.

* *

Middlemen are securing a modicum of protection against the risk of price uncertainties by inserting **Escalator Clauses** in their contracts; but this is seldom possible (except in the instance of landlords) for final links in the production-distribution chain which sell directly to the consumer. Consumers have more votes than all the pressure groups combined, and their resentment must not be aroused, even if billions have to be paid out in subsidies on non-durable goods, the while heavy goods producers are struggling to make ends meet. After all, we could get along for a while longer without new automobiles, washing machines, flatirons, radios; but at the cost of more **Unemployment.**

* * *

As this is written, steel ingot output has climbed back to pre-strike levels; but the General Motors strike still drags on having already cost penny-wise but pound-foolish employees a loss of wages that can not be recouped in five years of steady work. Strikes at American Smelting and Refining Company plants, unless settled soon, will cause an acute shortage of **Copper** and **Lead** already in scant supply.

* *

A walkout by **Coal Miners** is scheduled for April 1, about the time when automobile production will probably be well under way again. Sandwiched in among demands for higher wages, shorter hours and more featherbedding will be a bitterly contested struggle over the right of foremen to unionize—a direct blow at the American system of private enterprise. John L. Lewis is not a man to be outdone by any other labor leader. If it takes five years for U. A. W. members to make up wages lost in the General Motors strike, Lewis will strive to have U. M. W. workers take at least six years to make up their losses. Meanwhile, steel and automotive plants may again be forced to curtail output; this time due to a coal shortage.

* *

There is urgent need for enough **Intelligent Leadership** on the part of management and labor to devise means of settling such disputes

Production and Transportation

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
BUSINESS ACTIVITY—I—pc	Feb. 23	148.1	148.2	160.0	141.8
(M. W. S.)—I—np	Feb. 23	160.5	160.6	171.5	146.5
INDUSTRIAL PROD. (rb)—I—np	Jan.	159	164	234	174
Mining	Jan.	139	133	140	133
Durable Goods, Mfr.	Jan.	167	186	345	215
Non-Durable Goods, Mfr.	Jan.	159	156	175	141
CARLOADINGS—t—Total	Feb. 23	723	707	772	833
Manufacturers & Miscellaneous	Feb. 23	302	287	382	379
Mdse. L. C. L.	Feb. 23	114	118	102	156
Grain	Feb. 23	52	52	40	43
ELEC. POWER Output (Kw.H.)m	Feb. 23	3,923	3,949	4,474	3,267
SOFT COAL, Prod. (st) m	Feb. 23	12.6	12.1	11.9	10.8
Cumulative from Jan. 1	Feb. 23	95.4	82.8	93.4	446
Stocks, End Mo.	Jan.	46.3	45.7	49.5	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Feb. 23	4.7	4.7	4.8	4.1
Gasoline Stocks	Feb. 23	104.7	105.2	96.4	87.8
Fuel Oil Stocks	Feb. 23	39.3	40.0	46.7	94.1
Heating Oil Stocks	Feb. 23	25.9	27.3	27.7	54.8
LUMBER, Prod. (bd. ft.) m	Feb. 23	363	343	517	632
Stocks, End Mo. (b.d. ft.) b	Jan.	3.2	2.9	3.5	12.6
STEEL INGOT PROD. (st.) m	Dec.	6.08	6.20	7.37	6.96
Cumulative from Jan. 1	Dec.	79.7	73.7	89.1	74.69
ENGINEERING CONSTRUCTION AWARDS (en) $m	Feb. 28	96.9	51.6	39.0	93.5
Cumulative from Jan. 1	Feb. 28	593	496	237	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Feb. 23	140	140	132	165
U. S. Newsprint Consumption (st)t	Jan.	311	317	265	352
Do., Stocks, End Mo.	Jan.	401	382	479	523
Wood Pulp Stocks, end Mo. (st)t	Dec.	71.6	69.3	66.8	98.5
Portland Cement Prod. (bbls.)m	Dec.	9.8	10.7	7.4	14.9
Machine Tool Shipments—$m	Dec.	23.3	26.1	31.2	76.4

PRESENT POSITION AND OUTLOOK

without work stoppages or injury to the public. The alternative is chaos.

Since our last issue, the stock market has come down with an acute attack of **Chester Bowlitis** which has served the useful purpose of directing public attention to the economic menace of this ideological disease which is attacking private enterprise. Already there are indications that something may be done to prevent profits from being squeezed down arbitrarily to the low 1936-9 level—a period when per capita business activity was at only 86% of the 1923-5 average, compared with the present 123%.

* *

In extending the life of O. P. A. beyond June 30, Congress will probably substitute some fairer base period as a norm for measuring business profits, or place other limitations upon the Administration's authority to control prices. Republican members of the House Banking Committee, for example, would eliminate **Price Control** over any product automatically after supply catches up with demand. Reconversion Director Snyder says he would favor some such proposal. Another favorable development is the appointment of former W. P. B. Chairman Krug to succeed Harold Ickes as Secretary of the Interior. Mr. Krug is opposed to a managed economy in peacetime.

Ag—Agriculture Dep't. B—Billions. cb—Census Bureau. cd—Commerce Dep't. cd2—Commerce Dep't. Avge. Month 1939—100. cdlb—Commerce Dep't. (1935-9—100), using Labor Bureau and other data. en—Engineering News-Record. I—Seasonably adjusted Index. 1935-9—100. lb—Labor Bureau. lb2—Labor Bureau, 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100. lt—Long tons. m—Millions. mpt—At Mills, Publishers and in Transit. mrb—Magazine of Wall Streeet, using Federal Reserve Board data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment and Charge accounts. st—Short tons. t—Thousands. tf—Treasury and Reconstruction Finance Corp.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

No. of Issues (1925 Close—100)	1946 Indexes High	Low	Feb. 23	Mar. 2
300 COMBINED AVERAGE	186.2	164.5	175.7	166.7
4 Agricultural Implements	236.7	204.9	226.8	213.8
11 Aircraft (1927 Cl.—100)	284.4	247.4	266.8	254.0
6 Air Lines (1934 Cl.—100)	1208.6	1023.6	1095.6	1023.6a
5 Amusement	180.2	143.7	174.2	170.9
15 Automobile Accessories	336.2	290.0	312.7	290.0
11 Automobiles	62.2	54.2	57.8	54.2a
3 Baking (1926 Cl.—100)	23.6	21.1	21.9	21.1a
3 Business Machines	325.0	290.6	308.4	290.6a
2 Bus Lines (1926 Cl.—100)	192.1	176.3	186.2	177.0
4 Chemicals	258.6	238.3	243.7	238.3a
2 Coal Mining	32.4	27.4	30.6	27.4a
4 Communication	99.7	86.0	91.5	86.0a
13 Construction	79.6	67.9	75.4	70.2
7 Containers	431.3	384.8	406.9	389.1
8 Copper & Brass	141.8	108.7	132.7	123.2
2 Dairy Products	78.1	64.6	73.2	72.7
5 Department Stores	101.9	89.7	95.9	92.0
5 Drugs & Toilet Articles	235.1	194.8	221.5	214.3
2 Finance Companies	296.5	268.9	281.6	276.6
7 Food Brands	226.1	205.5	214.3	210.8
2 Food Stores	80.1	73.8	77.9	76.5
3 Furniture	116.7	105.2	110.0	105.2a
3 Gold Mining	1346.1	1175.6	1294.0	1285.0

(Nov. 14, 1936, Cl.—100)	High	Low	Feb. 23	Mar. 2
100 HIGH PRICED STOCKS	106.63	97.62	101.08	97.62a
100 LOW PRICED STOCKS	247.97	202.59	233.20	217.57
6 Investment Trusts	81.6	70.0	74.2	70.0a
3 Liquor (1927 Cl.—100)	1185.8	1000.2	1034.9	1014.7
8 Machinery	206.4	181.6	188.6	181.6a
3 Mail Order	163.2	140.3	155.5	149.0
3 Meat Packing	123.1	111.4	116.9	111.4a
13 Metals	299.7	232.1	280.2	251.8
3 Paper	36.8	32.7	34.5	32.7a
23 Petroleum	191.6	175.1	180.4	175.1a
20 Public Utilities	156.8	131.2	148.0	141.0
5 Radio (1927 Cl.—100)	42.0	35.4	38.8	35.4a
8 Railroad Equipment	110.6	94.9	102.3	94.9a
22 Railroads	40.8	34.9	36.9	34.9a
3 Realty	56.7	39.1	52.0	46.2
2 Shipbuilding	163.7	122.5	159.5	150.2
3 Soft Drinks	614.0	568.5	588.4	568.5a
12 Steel & Iron	145.6	119.1	136.0	125.8
3 Sugar	88.9	75.7	81.1	77.5
2 Sulphur	264.1	241.7	253.0	249.3
3 Textiles	160.0	126.7	141.9	134.8
3 Tires & Rubber	47.3	42.5	44.2	42.5a
5 Tobacco	96.1	86.8	89.3	86.8a
2 Variety Stores	356.7	318.5	321.3	320.1
18 Unclassified (1945 Cl.—100)	113.6	98.2	106.4	101.3

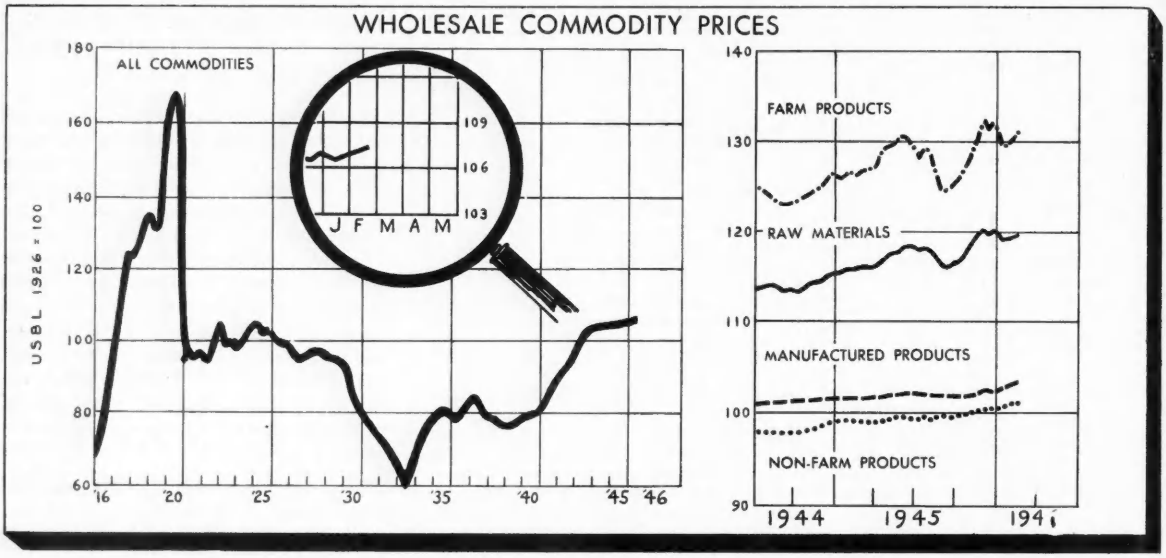
a—New LOW since 1945.

Trend of Commodities

The trend of commodity prices is still upward and if it were not for the ceiling controls the rise would be sharp and sustained. The Dow-Jones futures index recorded a new all-time high. The rise was due mainly to cotton which the OPA has not yet placed under a ceiling. All of the months went into new high ground. The feature of the period, however, was the action on the Winnipeg grain exchange. Rye is the only grain on that market not subject to controls. Speculators took advantage of the situation and forced the May contract to $2.74 per bushel. The margin requirements were suddenly raised to $1.00 per bushel and the speculators started to unload. For seven successive days the price declined the daily limit of 5 cents a bushel. It was a good measure of how far out of line speculation had carried the market.

New highs were also registered in the spot market with all groups participating. Increased ceilings on grains were contributing factors. As can be seen from the chart below the wide spread between prices of farm products and non-farm products shows no signs of being adjusted. Farm products are receiving political support and attempts are being made to remove all ceilings on agricultural products.

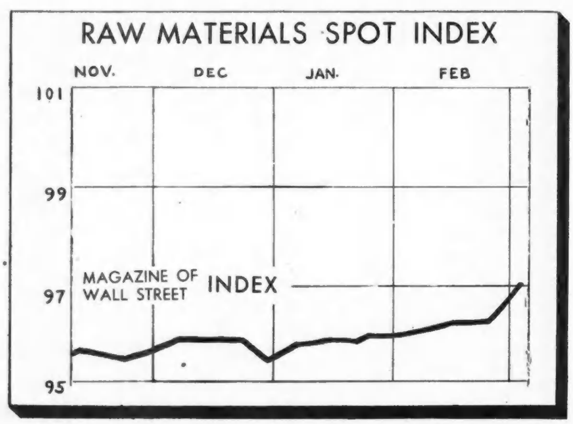
When the question of food subsidies came up late in 1945 the Administration submitted a schedule of their removal. The OPA pointed out that there would be no over-all increase in prices. A decline in certain food items was to offset the removal of subsidies in others. That is a thing of the past. The Administration is calling for more subsidies to hold the line. It is no longer a question of whether prices will advance—it is simply a question of how much.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — August 1939, equal 100

	Date Mar. 2	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	188.6	188.4	187.4	186.6	184.1	183.6	156.9
11 Import Commodities	170.7	170.7	168.9	168.9	168.9	169.0	157.5
17 Domestic Commodities	201.2	200.8	200.5	199.0	194.6	193.7	156.6

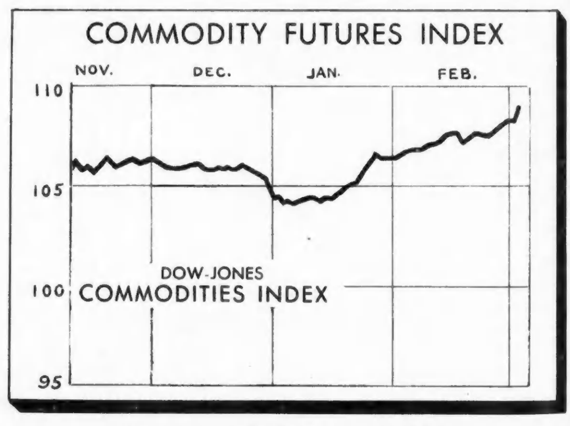
	Date Mar. 2	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
7 Domestic Agricultural	236.8	235.1	234.7	230.6	224.1	226.3	163.9
12 Foodstuffs	215.2	215.0	213.3	211.7	207.7	209.2	169.2
16 Raw Industrials	170.7	170.4	169.9	169.5	168.0	166.4	148.2



14 Raw Materials, 1923-5 Average equals 100

Aug. 26, 1939—63.0 Dec. 6. 1941—85.0

	1946	1945	1944	1943	1941	1939	1938	1937
High	97.0	95.8	84.5	92.9	85.7	78.3	65.8	93.8
Low	95.5	93.6	91.8	89.3	74.3	61.6	57.5	64.7



Average 1924-26 equals 100

	1946	1945	1944	1943	1941	1939	1938	1937
High	109.11	106.41	98.13	96.57	84.60	64.67	54.95	82.44
Low	104.21	93.90	92.44	88.45	55.45	46.59	45.03	52.03

COMMODITY HIGHLIGHTS

IMPORTS . . . From time to time in the past month there have been reports of the first shipment of various commodities to arrive in this country since the start of the war. Among these were silk, caraway seeds, tung oil, tulip bulbs, rubber, and copra. This is very important since it will act as a restraint on inflation. Wholesale prices in the United States, although they were under control, have advanced much more than prices in the rest of the world in the past five years. With shipping facilities improving daily it is only a matter of time before prices in the United States and the rest of the world get back into line. A heavy flow of raw material imports would go a long way towards keeping prices in this country from advancing sharply in the next twelve months. In our last issue we discussed sugar. Here is the situation on two other important import commodities.

JUTE & BURLAP . . . In the United States before the war, jute was consumed in about one-fourth the volume of cotton, but more than twice the volume of any other fiber. Competition between jute and other materials is greatest in the field of bags. Although there was an increase in acreage in a number of countries during the war, yet around 95 per cent of the world's jute production comes from India.

Burlap production by jute mills in Calcutta totaled 171 million yards in January. This was 11 million yards over the highest monthly figure in 1945 and was the largest total in a number of years. In view of the favorable jute crop it is expected that Indian production and exports will continue to expand during 1946.

Cotton consumption in the United States during January 1946 was lower than in January 1945, which in turn was lower than in 1944. January consumption of burlap in the United States, expressed in millions of yards was as follows:—

1944	41
1945	54
1946	78

Thus burlap is making rapid progress in replacing cotton and will continue to do so as long as prices are out of line.

Through an amendment to the Burlap Conservation Order M-47, the CPA released an additional 23 million yards of burlap to bag manufacturers for the first quarter of 1946. At the same time import restrictions on burlap and other jute goods were removed. India, however, has established a quota system which will prevent us from obtaining all of the burlap we could consume.

FATS & OILS . . . During the war period the United States shifted from a net importer to a net exporter of fats and oils. We are still making relief shipments, so no change in our position is likely during the first half of 1946. However, in the second half of the year our imports should be in excess of our exports and this will be an important factor in keeping prices in line.

A tight situation in a number of oils at the present time is preventing an upswing in paint production. We need an increase in imports of Argentine flaxseed. An agreement was made last year, but prices have advanced so sharply that the farmers in Argentina are not turning their supplies over to the Government. We need tung oil from China. The first shipment arrived a short time ago and a fairly large amount is due in the next six months. We need more castor oil and oiticica oil from Brazil. The ceiling on castor oil was increased recently and this should help to divert supplies to the United States.

Supplies of soap making fats will be short this year and the country will depend on the waste fat salvage campaign. A reduction in the amount of soap used in the synthetic rubber program and a drastic reduction in the military procurement of soap will ease the situation. Real improvement in the situation depends on the importation of Philippine copra. The Administration has given this program the green light.

The civilian supply of edible vegetable oil products will be slightly larger than last year due in part to a larger carry-over. In the field of vegetable oils attention must be given to the rapid expansion in Argentina. The acreage planted to peanuts has more than doubled since 1940. The acreage planted to sunflower seed is three times what it was in 1940. Conditions have been favorable this year and a record output is likely. Most of it will move into export channels in the second half of the year.

As I See It

(Continued from page 683)

secure Vienna, the heart of the entire European rail network that links east with the west via Berlin-Prague from the north, and the Orient Express running from Paris through Switzerland south to Italy and Istambul. In control of these strategic rail centers, Russia could hold the economic life of Europe in her palm.

In the Far East, a similar situation exists in strategic Manchuria, the great industrial and distribution center developed by the Japs. If Russia is permitted to establish herself here, she will succeed in dominating Asia and hold China with her 400,000,000 people in economic bondage to her.

This is a goal Russia has been working toward these past three decades for she dreads a strong China — strengthened and economically stabilized through an industrialization program — possessing double the population of the USSR, and with a much more prolific birth rate.

But, as we have become aware, Russian ambitions do not end with China. In fact, she is already reaching out into the Pacific and Arctic Oceans. The Kremlin, like Nazi Germany, is insatiable.

We must call a halt somewhere — sometime. It might as well be now. Our most logical avenue of defense leads to her most vulnerable spot—her international political machine, with its "cells" in every country in the world — which for potency far outstrips Russian armed might.

Russia owes the success of her plans thus far to these minority revolutionary groups, so strongly intrenched that they have been able to over-rule and frequently to overcome the disorganized majorities where they have not hesitated to use the most cruel and barbaric methods, including torture and murder, to destroy their opponents. But today, in the countries where Russian revolution has been established, the cries and misery of the people are being heard around the world and they are rising to such volume that even the most ignorant are beginning to comprehend what a Russian dominated world can mean.

This is our opportunity and we must act accordingly. It is an absurdity to say that the practice of democracy prohibits the taking of protective measures against elements acting in behalf of a foreign power seeking to destroy our way of life. If our laws permitted us to imprison Earl Browder for subversive activities against this government, why can't we invoke these same laws against those who are instigating revolt in our country at the behest of Moscow?

But let's deport them this time, and give these agitators a taste of the bitter medicine they are so eager to prescribe for the people of this country.

Of course, Russia is bound to respond with the most vituperative attacks violently denying our rights, while Moscow continues to suppress legitimate opposition by brutal violence.

We must ignore these maneuvers in a war of nerves — and steadfastly stick to our goal of world peace and human dignity as set forth in the Atlantic Charter.

Keeping Abreast of Industrial and Company News

When industrial strife subsides, next big poser will be the newly emerging unit costs. In writing for Fortune Magazine, Charles R. Walker, a project director at Yale, wisely put it this way: "Productivity is the unknown, hotly disputed variable in the wage-price-profit equation. Perhaps in the end it will be the decisive one."

Walter S. Carpenter, president of E. I. du Pont de Nemours Co., in his annual report to stockholders, says that for designing, building and operating the Government's $350 million plutonium plant — an atomic energy project — the company's fee at its own request was limited to $1.

The postwar outlook for locomotive builders is certainly encouraging, according to Duncan W. Frazer, president of American Locomotive Co. And although working capital of his concern has expanded by some $18 million during war years, a further gain may come if plans to sell a part interest in a wholly owned Canadian subsidiary materialize.

Diversification plans of Philco Corporation, reports John Ballantyne, its president, include production of a complete line of mobile radio-telephone equipment for automobiles, trucks, buses, taxicabs and municipal cars. By these means, riders can dial offices or homes.

Retailers now fear that while industry is apt to get a boost in prices to offset rising costs, contends Joseph T. Meek, executive secretary of the Illinois Federation of Retail Associations, the unfortunate distributor is likely to get squeezed. Congress must correct this, he holds.

Acquisition of the McCook, Ill., government sheet mill by aggressive Reynolds Metal Company, says president R. S. Reynolds, will be speed conversion of tremendous quantities of aluminum battle scrap to meet pressing needs of the building industry. Immediately available are large quantities of aluminum which can be used for door and window frames, walls and roofing.

On April 13, the Pennsylvania Railroad will observe the 100th anniversary of the signing of the charter issued to the company by the State of Pennsylvania. The Magazine of Wall Street extends birthday greetings and hopes that during the century ahead this famous railroad may duplicate its amazing record.

Although 1945 net per share of Cluett Peabody & Co., Inc., rose to $2.82 against $2.51 for 1944, president C. R. Palmer reports that shortage of materials continues and that employment is below normal, with no signs of early improvement. Price controls, he implies, are holding down production and delaying plans for expansion.

According to a study by Dunn & Bradstreet, Inc., covering 1785 corporations with tangible net worth of less than $1 million, average increase in this item between 1940 and 1943 was 21.5%, or almost double the average gain of 11% achieved by a large group of big concerns. Smaller textile manufacturers were the prize winners in this respect, their working capital soaring by 91% at the end of 1944.

The Rubber Manufacturers Association predicts that, barring interruptions from textile shortages or other causes, mounting production of tires in the current year should satisfy the accumulated backlog of demand by early 1947. Indications are that 66 million passenger car tires can be made in 1946.

Large volume orders for normal products of Burroughs Adding Machine Co. signal prosperity for this sound old company. Domestic orders alone in the backlog amount to almost $29 million, and unfilled foreign orders total about $5.8 million. At the beginning of this year, 24,282 shareholders constituted a new high record in number.

To round out further diversification plans, Jack & Heintz Co., much in the news during war years, announces a merger with Precision Products Corporation. The newly formed organization will be known as Jack & Heintz Precision Industries, Inc. Several prominent eastern capitalists will become interested in the new company.

Pan American Airways Co.'s Brazilian affiliate, Panair do Brazil, will soon become the first company to inaugurate American service over the South Atlantic, just as it was the first to start night flying in South America. First of the giant four motored Constellations will take off from Rio de Janeiro for Lisbon and Paris within a month, if delivery of the planes is prompt.

First industry-wide boost in prices for crude oil by the OPA will amount to 10 cents per barrel and become effective later in March. The oil industry is likely to argue over the new price, for refiners will have to absorb the increased cost, as the OPA says that the advance must not be passed along to the public, and this covers all kinds of petroleum products.

The largest aluminum window fabricating project in history has just been completed by General Bronze Co., first mass production resulting in 4700 windows for a Government hospital in Hawaii. The company reports that large orders from distributors are flowing in from all over the country.

In an interesting deal, the Cuban-Atlantic Sugar Co. has acquired the Milton S. Hershey sugar and railroad interests in Cuba. The late Mr. Hershey of chocolate fame was the former owner. To finance the deal CAS will issue $6 million of new preferred and 275,000 shares of common.

Another one of the Government-built plants has passed to private hands. American Cyanamid & Chemical Corporation, with an eye to producing higher quality gasolines, has acquired a catalyst plant in Forth Worth which it constructed for the Government in war-time. Basis of the deal is a lease with an option to buy.

Republic Steel Corporation has taken steps to enter fields on the Pacific Coast, according to announcements. Westland Drawn Steel Co. of Los Angeles has been acquired by the company and will be operated as part of a Republic Division located in Ohio.

No ceilings have yet been reached for efficiency in gas-turbine engines. A recent announcement by Allis-Chalmers Manufacturing Co. claims a new record in this respect. The company's latest development is a gas turbine to operate at 3500 hp. with the temperature at 1350 degrees, and even 1500 degrees is likely soon.

Captain Eddie Rickenbacker, president of Eastern Air Lines, says that his directors have voted to recommend a 4-for-1 split-up in the common shares of the company. Action will be taken at a stockholders meeting to be held April 23.

On March 19, shareholders of Briggs & Stratton Corporation, also will be asked to approve a split-up in the company's common stock. The proposed basis is to be 2 for 1. No change in the amount of authorized stock will be necessary.

Among many newly developed uses for plastics, quite spectacular for the Chemical industry is the current spraying of guns on stand-bye naval vessels with vinylite plastics. A smooth, moisture proof coating is provided and can be easily peeled off when desired.

Evaluating Financial Positions, Profit Margins and Prospects, Part II

(*Continued from page* 697)

nsecutive year, assets of Owens-llinois Glass Company have conued to rise; total assets now and at $111 million against $85 illion in 1938. Net current asts likewise have shown a consistt gain and at the end of 1945, is item topped $41 million for e first time on record. While rise of $9 million in current abilities, due to increased proisions for taxes and wage bonuses shown, a gain in liquid assets ore than offsets this circumtance. Indeed, a treasury bulgg with $53 million in cash and overnment securities faces total urrent liabilities of only $32 milon, of which $20 million repreent taxes.

Retailers enjoyed a highly rosperous year in 1945, and Marshall Field and Company was o exception to the rule. Aside rom profitable operations, this eading Chicago department store neasurably strengthened its fiancial position by sale of the igantic Merchandise Mart for 18.1 million. As a result of this ransaction, it became possible o retire $18.75 million in outtanding bonds of the company y using $650,000 from the company's treasury. As might be expected, total assets in the year nd balance sheet shrank subtantially, but without other significance. By earnings retained n the business working capital welled to near $28 million, a gain of $1.8 million for the year and the current-ratio rose to 2.1 compared with 1.8 in 1944. Additional improvement to the financial structure was achieved by refunding of $15 million 6% preferred stock by a like amount of 4¼% preference issue, thus boosting earnings available for the common stock by $262,500 per year. Net profit for the year amounted to $5.2 million against $5 million the previous year.

C. I. T. Financial Corporation (formerly Commercial Investment Trust Corp.), to judge by its report for 1945, is continuing its uptrend in activities from the low point established in 1943. More than in any other enterprise, the volume of instalment financing is directly reflected in asset totals, for treasury holdings of receivables purchased are the main source of revenue. As of December 31, 1945, assets of C. I. T. stood at $235 million, $27 million above the 1944 mark and topping 1943 by $37 million. Working capital during last year expanded by about $1 million for a total of $118 million. Reflecting the gradual uptrend in civilian purchases, all classes of instalment notes for automobiles, factoring, personal financing, etc., expanded by $18 million.

In contrast to the above kind of business, that of the leading maker of shirts and collars, Cluett Peabody & Co. Inc., is interesting in the light of its December 31, 1945 balance sheet. Although current assets rose by about $600,000 compared with the previous year, current liabilities were reduced by $1.2 million and $375,000 of serial notes were retired. Cash in the bank of $4 million and $2.4 million of U. S. and Canadian Government securities offset $3.2 of current liabilities twice over. Shortage of labor and materials forced a small decline in sales and income from royalties on the company's "Sanforized" process but final net income rose about $200,000 as deductions for excess profit taxes were negligible.

In examining the annual report of American Tobacco Co. for the calendar year of 1945, significant changes compared with the previous year come to light. Relative total assets rose by a full $20 million, largely due to shifts among current asset items. Inventories of leaf tobacco and manufactured stock soared by $88 million, necessitating a decline in cash to the extent of about $37 million. Bank borrowings of $37 million additionally were entailed to support the inventory increase. Despite the heavy inroad upon bank balances, however, these still remain at over $20 million, peak for many years past except in 1944 when they rolled up to $59 million.

1846 1946

As it completes One Hundred Years of Transportation Progress...

PENNSYLVANIA RAILROAD REPORTS FOR THE YEAR 1945

INCOME STATEMENT

		Year 1945	Comparison with 1944
INCOME:			
Operating Revenues	Freight	$603,561,529	D $70,833,779
	Passenger	258,864,371	D 1,940,611
	Mail	14,821,654	D 21,015
	Express	10,836,165	D 1,327,154
	Other	48,369,692	I 560,058
		936,453,411	D 73,562,501
Other Income—chiefly dividends and interest on securities owned		*42,990,622	I 3,717,973
Total		979,444,033	D 69,844,528
EXPENSES:			
Operating Expenses		783,947,431	I 47,628,686
Taxes		54,340,013	D 98,498,395
Equipment and Joint Facility Rents		10,985,428	D 901,265
Rent for Leased Roads, Interest on Debt, etc.		81,162,923	D 2,361,361
Total		930,435,795	D 54,132,335
Net Income		49,008,238	D 15,712,193
DISPOSITION OF NET INCOME:			
Appropriations to Sinking and Other Funds, etc.		3,680,996	I 436,438
Retirement of Debt—Pennsylvania R.R. Co.		†	D 18,767,970
Dividend of 5% ($2.50 per share)		32,919,385	—
Balance of Income		12,407,857	I 2,619,339

*Includes dividend of $5,000,000 (par value) in securities received from Pennsylvania Company.

†$21,189,880 of debt was retired from current cash and other assets in 1945.

RESULTS FOR THE YEAR

The high level of business that prevailed during the war years continued during 1945, the volume being the third largest in the Company's history, and exceeded only in 1943 and 1944.

Costs of operation constantly increased due to higher costs of labor and higher costs of materials. Operating revenues of the Company declined $73,562,501, caused by the cessation of hostilities and labor disturbances in some of the larger industries. Expenses of operation increased $47,628,686, including $41,395,479 to cover the unamortized portion of the cost of emergency facilities required for the prosecution of the war. The Net Income in 1945 was $49,008,238 compared with $64,720,431 in 1944, a decrease of $15,712,193. Notwithstanding this decrease in Net Income, dividends paid in 1945 were maintained at the same rate paid in 1944, 1943 and 1942—5% ($2.50 per share).

TRANSPORTATION FOR THE FUTURE

The country's vast system of airways, highways and waterways will be expanded at the Government's expense, while all of the improvements for the railroads will be privately financed. The problems with which the railroads are faced as a result of the war should have intelligent consideration by state and national authorities wherever regulation restricts the opportunity for the rails to move forward.

The railroads want no subsidy; they want equity. They are a heavily taxed industry competing with subsidized industries, and all they ask is equality of opportunity.

As the railroads planned to meet the requirements of war, so they are planning for the opportunities of peace, and given a fair and equitable chance they will furnish the public the best in freight and passenger service.

TAXES

The Pennsylvania Railroad Company during the war years paid in taxes and disbursed for improvements and repairs, to meet the war load a sum of money equal to the entire debt upon the property. A national railroad system without any debt would place the railroads in the same position as their competitors, as the Government furnishes a large amount of the capital for the waterways, the highways and the airways.

There was much deferred maintenance during the war period. The Interstate Commerce Commission gave the railroads authority to create reserves to meet this situation. The taxation system, however, would not permit them to take any tax benefit on reserves so created, and money that should have been set aside for this purpose was taxed the same as other income. Deferred maintenance must, therefore, be paid out of post-war earnings, and the more the post-war earnings are siphoned off through taxation, the less will be the money the railroads can spend on rehabilitation and improvements.

Railway taxes, after adjustment by tax credits of $24,443,381 for prior war years, together with Unemployment Insurance taxes of $12,741,141, and Railroad Retirement taxes of $13,802,891, aggregated $54,340,013.

LEGISLATION

To clarify the intent of Congress with

respect to carriers subject to the Interstate Commerce Act, and to resolve any regulatory conflicts with the Antitrust laws, Congressman Bulwinkle of North Carolina introduced a bill, H. R. 2536, known as the Bulwinkle Bill, which gives such carriers protection from the Antitrust laws only to the extent that their acts and procedures have obtained prior Commission approval. The Bill was endorsed by the Interstate Commerce Commission and numerous state commissions, and by public and commercial bodies and by shippers and producers generally. It was passed by the House by a large majority and now awaits action by the Senate.

To insure consistent policies with respect to legislation, and the future efficiency of the transportation system, the Bill is worthy of the earnest support of the people, who have recently seen the vital importance to the nation of the ability of the carriers to work together in the public interest.

FREIGHT AND PASSENGER RATES

The railroads have done the war job with practically no increase in freight rates and a relatively small increase in passenger fares—2/10 of a cent per mile in basic coach fares and 3/10 of a cent per mile in fares good in Pullman cars.

The year 1946 will be one of greatly increased cost of operation and maintenance with a decreasing business, and it is therefore imperative to consider the need for increased railroad freight rates.

The railroads were granted a 5% increase in freight rates, in May, 1942, which however was suspended until six months after the war; but, as the situation appears to be developing, it will be necessary for the railroads to petition the Interstate Commerce Commission for an increase greater than that under suspension, in order to meet greatly increased expenses and avoid deficit operation.

Large expenditures must be made for the rehabilitation of the railroads. All of these necessities will require money in large amounts. Money requires credit, and the credit of the Company is very much affected by the rates at which the business is carried.

REDUCTION OF FUNDED DEBT

Maturities during the year amounted to $11,807,880, which together with other debt retired and canceled amounting to $9,382,000, made a total reduction of $21,189,880 in 1945. This reduction was offset, in part, by the issuance of $16,290,000 Equipment Trust Obligations.

In addition, as a result of refinancing of bonds and purchases from the public, other debt of System Companies was reduced $5,380,087.

The debt of the System in the hands of the public was, therefore, reduced $10,279,967 in 1945, making a net reduction of $148,670,000 during the last six years.

REFINANCING OF BONDS

The Company continued its policy of taking advantage of the prevailing money rates to refinance certain of its bonds, as well as those of its affiliated companies, and was able to make some very advantageous refundings, from which it will ultimately realize approximately $47,000,000 of savings.

EQUIPMENT

The ending of the war made it possible to acquire materials for construction of passenger cars, and there are under construction one hundred and twelve modern passenger train cars, of lightweight construction, of which ninety are being built in Altoona Shops, and twenty-two by an outside builder. They are the finest type ever to be built for the Company, and are especially designed for safety.

Since the close of the year, orders have been placed with outside builders for the construction of two hundred and fourteen passenger train cars of which one hundred and fifty-nine are to be sleepers, for the improvement of the post-war passenger service on the railroad.

Twenty-five of the largest and most modern steam freight locomotives and tenders were placed in service during the year. Orders were placed for fifty additional steam passenger locomotives and tenders and part of the order was delivered. One Diesel electric passenger locomotive was delivered during the year, and ten more were ordered.

On December 18, 1945, the District Court of the United States for the Eastern District of Pennsylvania approved the sale by Pullman Incorporated to a Buying Group of Railroads of all the outstanding stock of its wholly owned subsidiary, The Pullman Company, which owns and services the sleeping cars.

The Pennsylvania Railroad Company, as one of the railroads in the Buying Group, has purchased from The Pullman Company 142 lightweight sleeping cars assigned for service on its lines, as well as 123 regularly assigned parlor cars.

RESEARCH

The Company, always seeking through research in science and technology, through discovery and invention, to be in the forefront of progressive improvement in railroad travel and shipping, has continued to move forward during the year. Through its own research staff, through the research laboratories of the Association of American Railroads, and cooperatively with equipment manufacturers, the Company is alert in utilizing to the utmost improvements in the field of electronics, metallurgy, chemistry and engineering, which can be applied to increase the efficiency, comfort and safety of rail transportation.

EMPLOYES

As we come out of the war and enter the peace, it is a pleasure to acknowledge the efficiency and loyalty of the employes of the Pennsylvania Railroad and their devotion to duty.

From the low ebb of the depression in 1938, with a depleted force, the Company moved into the heavy traffic of the war, met the peak load of its history, both passenger and freight, and is moving into the reconversion era. The Management wishes to acknowledge the splendid way the employes served their Country and the Company by meeting successfully every emergency they were called upon to face.

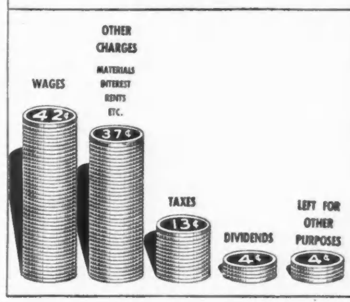
STOCKHOLDERS

The growth and expansion of the Company during the one hundred years of its existence is reflected in the number of shareholders, the shares outstanding and their distribution. When the Company was chartered there were 2,635 subscribers to the original issue of 60,257 shares of stock of the par value of $50 each, being an average holding of 22.87 shares by each subscriber.

On December 31, 1945, there were 214,995 holders of stock, and the number of shares outstanding had grown to 13,167,754. The average holding was 61.24 shares.

M. W. CLEMENT, *President.*

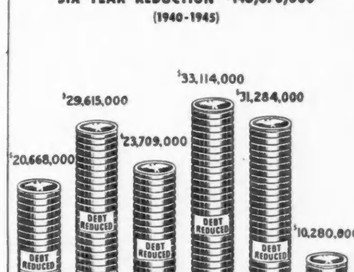
WHERE THE DOLLAR WENT
WAR YEARS 1941-1945



After providing for operating expenses, interest, rentals and other necessary charges, over half the remaining income went to taxes.

NET REDUCTION IN SYSTEM DEBT
IN HANDS OF PUBLIC

SIX YEAR REDUCTION $148,670,000
(1940-1945)



There has been a steady and substantial reduction of funded debt in the hands of the public, as this graph shows. Over the last six years the Pennsylvania Railroad System debt has been reduced $148,670,000.

PENNSYLVANIA RAILROAD

Serving the Nation

BUY UNITED STATES SAVINGS BONDS

Around the World

(*Continued from page* 699)

unless production costs are brought down by increased efficiency of labor or as a result of the depreciation of the rupee in terms of the dollar or the pound. There are many obstacles in the way of increasing the efficiency of Indian labor. The most important among them are the substandard living conditions, the lack of proper food, and constant migration between the cities and villages which prevents the training of skilled labor. Also against progress is the attitude of the average Indian industrialist who usually expects quick return on his investment.

The outbreak of famine—and large areas of Bombay Province and Southern India have already been declared scarcity areas—would also have a serious political reaction against the British Raj, already hard pressed by the demand for independence. Communism has been spreading, particularly in the Bombay area; Indian labor with its low standard of living has been ideal material for Communistic propaganda.

If, as a result of famine, the Indian economic and political situation deteriorates, the repercussion may have international consequences. Much will depend on how successful the Indian Food Delegation, headed by Sir Ramaswami Mundaliar, at present in this country, is in getting allocation of wheat and other cereals, and also whether the British will be able to get some of the 1,500,000 tons of rice reported to be stored in Siam. India needs altogether about 2,000,000 tons of food during the next four months and another 1 to 2 million tons later on during the year.

Slow Progress of Trading with Southeastern Asia

The restoration of trade between the Western countries and Southeastern Asia has been at a disappointingly slow pace, considering that that part of the world produces some of the most needed commodities. Of some 330,000 tons of natural rubber uncovered in the liberated parts of Indo-China, Malaya, Java, and Sumatra, only about one-fifth has been shipped out to this country. The tin stockpiles were evidently smaller than anticipated earlier. Only a fraction of some 10,000 tons uncovered, has been sent West, chiefly from Malaya and Siam. Most of the 1,600,000 short tons of sugar is still unshipped in Java, and the prospects of reviving the sugar industry there are apparently even poorer (only 40% of mills are ready to operate) than in the Philippines, which thus far has been shipping out only some copra and abaca, but none in large quantities. Nor are the chances very good of getting out of Siam that country's exportable surplus of 1,500,000 tons of rice, the ownership of which fell to the British under the British-Siamese peace treaty.

The obstacles to restarting trade with Southeastern Asia are both political and economical. Parts of Java and Sumatra are in the hands of the Indonesian nationalists. Similarly the Annamite nationalists are still in control of large areas of French Indo-China.

The lack of shipping has been another obstacle. Without shipping there can be no resumption of internal trade, either within individual islands of the Philippine or the Indonesian archipelago, or between the Netherland East Indies and British Malaya or Siam. This trade consists mostly of the exchange of food surpluses, principally rice.

Third, there is a lack of trade goods such as textiles. In view of the worthless or nearly worthless currencies circulating in Southeastern Asia, the farmer prefers goods to high wages in paper notes.

UNION CARBIDE AND CARBON CORPORATION AND SUBSIDIARIES

OPERATING IN THE UNITED STATES AND CANADA

CONSOLIDATED BALANCE SHEET

December 31, 1945

ASSETS

Current Assets		
Cash		$104,058,962.10
United States Treasury Tax Notes		34,000,000.00
Marketable Securities (Cost or Market, whichever lower)		1,886,197.70
Receivables (After Reserve for Doubtful)		
Trade Notes and Accounts	$ 35,813,148.93	
Other Notes and Accounts	6,405,447.04	
Income and Excess Profits Taxes Refunds (*See Note 5*)	19,340,341.88	61,558,937.85
Inventories (Cost or Market, whichever lower)		80,067,182.50
Total Current Assets		$281,571,280.15
Fixed Assets (Cost or less)		
Land, Buildings, Machinery, and Equipment	$373,807,376.84	
Deduct—Reserves for Depreciation and Amortization	256,690,326.22	117,117,050.62
Investments (Cost or less)		
Affiliated Companies	$ 2,011,132.14	
Foreign Subsidiaries	23,553,863.81	25,564,995.95
Deferred Charges		
Prepaid Insurance, Taxes, etc.		1,927,371.73
Postwar Refund of Excess Profits Tax (Only Canadian Companies)		1,897,009.96
Patents, Trade-Marks, and Goodwill		1.00
		$428,077,709.41

LIABILITIES

Current Liabilities		
Accounts Payable		$ 17,748,841.16
Dividend Payable January 1 of following year		6,958,341.00
Accrued Liabilities		
Income, Excess Profits, and Other Taxes	$ 63,755,802.97	
Other Accrued Liabilities	4,249,620.86	68,005,423.83
Total Current Liabilities		$ 92,712,605.99
Deferred Liabilities Under Government Contracts		1,625,298.26
Accrued Provision for Wartime Adjustments		9,891,852.08
Reserve for Postwar Contingencies		15,000,000.00
Capital Stock of Union Carbide and Carbon Corporation—9,277,788 shares of no par value not including 136,649 shares held by the Corporation	$192,879,842.43	
Earned Surplus	115,968,110.65	308,847,953.08
		$428,077,709.41

UNION CARBIDE AND CARBON CORPORATION AND SUBSIDIARIES

OPERATING IN THE UNITED STATES AND CANADA

CONSOLIDATED INCOME AND SURPLUS STATEMENTS

Year Ended December 31, 1945

INCOME

INCOME		$134,475,043.95
Deduct—		
Depreciation and Depletion	$ 14,857,663.67	
Amortization	22,829,818.96	
Interest	582,941.37	
Income and Excess Profits Taxes	58,315,093.84	96,585,517.84
NET INCOME FOR YEAR		$ 37,889,526.11

SURPLUS

EARNED SURPLUS AT JANUARY 1, 1945		$108,287,968.74
Add—		
Net Income for Year	$ 37,889,526.11	
Increase in Market Value of Marketable Securities at December 31, 1945	293,264.76	
Reduction of Valuation Reserve—Securities sold during the year	249,725.42	38,432,516.29
		$146,720,485.03
Deduct—		
Dividends Declared	$ 27,833,364.00	
Payments on Employees' Past-Service Annuities under Retirement Plan	2,919,010.33	30,752,374.33
EARNED SURPLUS AT DECEMBER 31, 1945		$115.968.110.65

NOTES RELATING TO FINANCIAL STATEMENTS

1—The principles used in preparing the accompanying consolidated statements for the year 1945 are as follows:

All subsidiaries that are one hundred per cent owned, and operate in the United States and Canada, are consolidated.

Current assets, deferred charges, current liabilities, and earnings of Canadian subsidiaries consolidated have been converted at the official rates of exchange. Other assets and liabilities of Canadian subsidiaries consolidated were converted at the prevailing rate at time of acquisition or assumption

Foreign subsidiaries, all one hundred per cent owned, are shown as investments. Only that part of the income of foreign subsidiaries that was received during the year as dividends is included in income. Unaudited reports covering less than a full year indicate that the income of companies paying such dividends will exceed the amount of dividends paid.

Affiliated companies, less than one hundred per cent but more than fifty per cent owned, are also shown under investments. The equity in the net worth of some of these affiliated companies carried in investments at $1,357,510.83 increased $615,231.07 between January 1, 1938 (or date of acquisition, whichever is later), and the date of latest unaudited reports received. Of this increase, $219,581.87 is applicable to the current period. No reports are available for 1945 for the remaining affiliated companies carried in investments at $653,621.31. The consolidated income does not include any part of the undistributed net income of affiliated companies.

2—Payments relating to years prior to July 1, 1937, were made to insurance companies in the maximum amounts acceptable to such companies to apply toward the purchase of Past-Service Annuities under the Retirement Plan for Employees. These payments, amounting to $2,919,010.38, were charged to Surplus. This method has been consistently followed since the adoption of the Retirement Plan on July 1, 1937. Income and Excess Profits Taxes as computed for the year 1945 are lower in the amount of approximately $2,423,000.00 by reason of such charges to Surplus. Payments for the purchase of Future-Service Annuities were charged against income.

3—In the accompanying Consolidated Income Statement the items "Adjustments Relating to Prior Years" with respect to the year 1944, and as explained in Note 2 of Notes Relating to Financial Statements for that year, have been omitted.

4—As a result of the Presidential Proclamation on September 29, 1945, ending the emergency with respect to emergency facilities, there was additional amortization of such facilities of $17,552,057.10 applicable to the years 1941 through 1944. After allowance for Income and Excess Profits Taxes amounting to $13,610,846.50 the net amount of $3,941,210.60 has been charged to the Accrued Provision for Wartime Adjustments. Of this net amount, $1,403,453.17 applies to 1944. All emergency facilities completed on September 29, 1945, have been fully amortized, although many are still in use. There will be no charges against income in future years for depreciation or amortization with respect to such facilities.

5—Income and Excess Profits Taxes Refunds of $19,340,341.88 includes $5,729,495.38 Postwar Refund of Excess Profits Tax and $13,610,846.50 applicable to additional amortization of emergency facilities for the years 1941 through 1944.

6—The Trustee of the Savings Plan for Employees holds Collateral Debentures of Carbide and Carbon Management Corporation secured by 65,250 shares of stock of Union Carbide and Carbon Corporation under plans for employees. The assets held by the Trustee amounted to $4,007,705.83 as of December 31, 1945, and the unpaid balance of amount borrowed by the Trustee in connection with the purchase of debentures was $1,890,000.00. Union Carbide and Carbon Corporation has agreed to maintain the assets in the Trust Estate in an amount sufficient to permit the distribution of the Trust Estate to the persons entitled thereto.

7—A review of the operations for the year 1944 under the Renegotiation Act has not been completed. It is therefore impracticable to determine the effect of this Act on the operations for either 1944 or 1945. Any refund to the Government for 1944 under such Act will be charged to the Accrued Provision for Wartime Adjustments. No provision has been made out of 1945 income for refunds, if any, applicable to that year.

AUDITORS' REPORT

TO DIRECTORS AND STOCKHOLDERS OF
UNION CARBIDE AND CARBON CORPORATION:

We have examined the balance sheet of Union Carbide and Carbon Corporation and its one hundred per cent owned subsidiaries operating in the United States and Canada, as of December 31, 1945, and the statements of income and surplus for the year then ended, have reviewed the system of internal control and accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Except that it was not practicable to confirm receivables from United States Government agencies, as to which we have satisfied ourselves by means of other auditing procedures, our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the position of Union Carbide and Carbon Corporation and its subsidiaries consolidated at December 31, 1945, and the results of consolidated operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HURDMAN AND CRANSTOUN
Certified Public Accountants

New York, N. Y., March 9, 1946.

Will Farm Bloc . . . . Upset National Economy?

(*Continued from page* 702)

world export and consumption are apparent, the group agreed that the basic economic realities of the world supply situation have not materially changed, and that the shift of the surplus load from the shoulders of the producers to the government's does not significantly affect them."

The repercussions of these artificial price supports on American cotton are being felt around the world. The formation of the International Cotton Advisory Committee was an outgrowth of a meeting in 1939 in Washington, to which the Department of State, on behalf of the Department of Agriculture, had invited the governments of ten cotton exporting countries to send representatives. The war upset these plans. The group was revised to include consuming countries and it was hoped that some plan of world price control could be reached.

Great Britain last month opposed any international agreement at this time. It was stated that Britain is greatly concerned with the high price for cotton at this time. She fears that any agreement at this time would only tend to peg world prices at their artificially high levels.

The world cotton situation does not justify higher cotton prices. Let us forget about the international aspects of the situation. Wage rates have gone up steadily during the war and it is possible that the farmer is not getting his proper share of the national income. If so, some adjustment in the parity formula might be justified.

The Secretary of Agriculture in a recent speech stated, "In 1910-14 farmers made up 35 percent of the population and got around 12 percent of the national income. Today farmers make up 18 percent of the population and get 9 per cent of the income." In other words, the relative im-

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If we get away from the so-called base period and study recent history, we find that:—

1. In 1928 and 1929 when business was at its peace-time peak, farm people received 8.3 and 7.8 per cent of the national income.

2. During the depression years of 1930, 1931 and 1932, agriculture received 6.8, 5.8, and 5.2 per cent respectively.

3. In recent years farmers have received from 8.5 to 9.5 per cent of the national income.

The farmers as a group are much better off than at any time in their history. But the above percentages are for all farming and only give half of the story. In the January, 1946 issue of Farm Labor, a publication of the Department of Agriculture, it says, "Employment on farms on January 1 was the lowest in the 21 years of record." When we divide the largest farm income on record by the smallest number of farmers on record, we get a mighty favorable income figure.

Finally, we want to stress that these attempts to force cotton prices higher and higher are not backed by the average farmer. They remember what happened in the rise and crash in 1920 and they want no part of it. The National Grange and the American Farm Bureau Federation are the two large farmers' organizations in the United States. We predict that these organizations will introduce new price formulas shortly and that in some cases the new formulas would mean a parity price for cotton much lower than it is today.

We hope that the public will be given the true facts on this parity question. It is now entering the explosive stage and, unless the Southern Bloc can be stopped now, we face an inflationary distortion of our national economy and then a depression which will greatly affect the lives of each and every one of us.

Will Farm Bloc . . . . Upset National Economy?

(Continued from page 702)

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The Outlook for Merchandise Shares

(*Continued from page* 706)

favorable for leading mail order houses that have been handicapped in recent years by scarcity of merchandise usually sold in large volume in rural areas—such as agricultural implements and household appliances.

Grocery stores represent another group that stands to benefit from changing economic conditions. High industrial purchasing power seems likely to maintain consumer demand for food products at a relatively high level. Larger supplies of canned fruits and vegetables as well as packaged foods that have been scarce should contribute to increased sales in groceries. Relaxation in rationing already has helped expand sales of food products and increased efficiency of grocery employees. Further progress in this direction may be anticipated as supplies become easier later in the year.

The one great advantage retailers have over manufacturers in this transition period, when price controls are being so keenly felt, is that ceiling prices at the retail level impose less of a squeeze than at the wholesale level, where they govern manufacturers' margins.

Accordingly, for the most part, price control regulations impose hardships on retailers only to the extent that they retard production of desirable merchandise for which a large deferred demand exists.

Viewing the outlook for this important segment of business—retail distribution—the investor may feel quite confident of maintenance of high earning power and the prospect of more liberal dividends in 1946.

Farm Equipment Companies

(*Continued from page* 707)

the acreage planted to wheat and corn and other basic foodstuffs. With the likelihood that farm labor will be more plentiful and with supplies of farm machinery available in increasing volume, the farmer is in a position to enlarge his acreage profitably.

Cited in support of the probability that farmer's purchasing power will be sustained at a high level is the virtual certainty that present subsidies will not only be continued, but the possibility of an increase is not an unlikely one. And finally, the farmer has not only greatly enlarged his savings and purchases of savings bonds in recent years but he has also reduced his mortgage and other indebtedness appreciably.

During the war production of farm machinery was permitted as a vital part of the war effort to insure adequate supplies of food. For this reason, there probably does not exist the large deferred demand for new equipment that is present for other consumers' durable goods—automobiles and trucks, for example. At the start of 1945, there were about 30 per cent more tractors in use on farms than in 1939, according to the Department of Agriculture. At the same time, however, obsolescence has taken its toll and the increasing trend over the past decade toward farm mechanization has created a recurring replacement demand. Further, this replacement demand is activated into effective buying by the research activities of leading equipment manufacturers, resulting in the development of new improvements and more efficient implements. An excellent example of this is the Farmall Cub, developed by International Harvester. This is a new junior size tractor complete with implements and is especially designed for the small farm—of 40 acres or less. The potential market, as yet virtually untapped, for these small tractors is suggested by the fact that there are 3,300,000 farms of less than 40 acres in the United States under active cultivation. This is equal to nearly 58 per cent of all farms.

Farm equipment manufacturers have been handicapped in reaching their full post-war stride by shortages of labor and materials, strikes and work stoppages. The recent settlement of a strike will add about 18 per cent to costs and the industry has an over-all labor factor equal to about 23 per cent of the cost of the manufactured product. This is about 7 per cent higher than the average for manufacturing industries. The elimination of excess profits taxes, however, will cushion the effect of wage increases and if all-out production can be resumed without further serious delay, the prospects are good that earnings this year will be at least moderately higher than for 1945, and in the case of some companies profits may be sharply up.

Looking somewhat further ahead, the industry is assured a large export demand. Foreign sales normally account for about 10 to 15 per cent of total production (12 per cent in 1945) and during the war years, a large deferred demand has been built up both in Latin-America and Europe. For this demand to become effective, some further time will be required before foreign trade channels are fully reopened and steps have been taken to enable foreign nations to obtain dollar exchange.

Divergent Trend in Rail Equipment

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accordingly, have become imperative, for on the eve of an era sure to be marked with unprecedented peacetime passenger and freight traffic, no carrier can afford to take a chance of falling down on the job ahead.

Whereas all segments of the railway equipment industry will share in the inviting "pie" which presents itself, opportunities and problems of its various segments and individual concerns must be considered from different angles. Take the locomotive builders, for example.

Lima Locomotive Co. gets about 20% of the business while American Locomotive Co. and Baldwin Locomotive Co. can count upon sharing the remaining 80% about equally. No mass production methods may be applied in producing these steam powered specialties, for they must be constructed according to close specifications. Concentration of the business has occurred through the need for heavy capital outlays backed by years of trained engineering experience. As unit costs run into a lot of money and efficiency of operation is the yardstick, profit margins normally are liberal, and as production schedules are essentially time-consuming, large backlog orders spell long continued profitable operations.

About a third of 1.7 million freight cars owned by Class 1 railroads are more than a quarter of a century old, it appears reasonably sure that for some years to come, replacements should average at least 70,000 annually, aside from orders from aboard. Assembly line methods in production should substantially lower operating costs as an offset to rising costs of wages and material, and some of the freight car builders enjoy fair tax cushion to support profit margins. Not that margins won't be squeezed by price restrictions, but that high volume will help matters materially. Substantial orders from Russia and France and from domestic railroads are already piling up on the books. The earnings outlook for 1946 obviously is obscure for this branch of the industry but not too dismal on the whole. American Car and Foundry Co.. and Pressed Steel Car Co. are leaders in this special field.

The rainbow prospects for the railway equipment makers have been rather liberally discounted by rising prices for shares in this group, although a wide disparity in price-earnings ratios indicates that investor appraisals of different concerns have no close similarity. The current reactionary trend in the market, accordingly may uncover some situations where speculative potentials become interesting; to assist in selectivity the reader is referred to the appended table.

The Wage-Price Formula Will it Work?

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pictures, seems to have been little changed by injection of the new control factor. The OPA has no authority over admission prices so that theatres are free to charge whatever the traffic will bear. So long as box office receipts remain at a high level and operating results are satisfactory, managements should find no necessity for increasing admission charges but the favorable factor is that the business is free from such official limitation. In the case of publications, apparently there is no control over advertising revenues. Paper supplies and space availability are the major limitations governing gross receipts in this industry. In petroleum, retail price ceilings for gasoline are already at a higher level than economic conditions justify so that there is no necessity for requesting relief. Crude oil ceilings have been raised to aid producers. As a matter of fact, conditions seem more favorable for removal of price controls in this industry in order to stimulate production of crude. The low labor factor in chemicals and drugs seems unlikely to hinder operation of the stabilization formula. Margins on liquor remain quite satisfactory.

In certain other industries, apparently progress can be made although the rate of improvement this year may fall somewhat short of earlier optimistic hope. These groups include electric and gas utilities, retail merchandisers, food and dairy products distributors, rubber tire, tobacco and paper companies. Price ceilings have a varying effect in these trades and difficulties may be encountered where hardship dictates applications for relief. In general, however, most companies in these lines probably can experience reasonably satisfactory results because either the labor factor is unusually low or employees are less effectively organized.

When we get into the other industries, the outlook is less uniform and more obscure. So far as can be determined, now that the steel industry has overcome principal obstacles in the way of full production, some further moderate price relief may be granted before the end of the second quarter if results in the next two months warrant wider margins. Among metal fabricators, the sharp rise in costs of materials has intensified the squeeze on earnings first applied by labor. This situation has presented a difficult problem for solution and it now appears as though any formula applicable to the entire industry would turn out favorably for the most efficient companies.

In the automobile industry, the OPA practice of establishing price ceilings for individual companies as well as for the several models of passenger cars and other vehicles produced, should prove effective in time both in enabling the companies to make a modest profit and in permitting the government agencies to control prices. Unless the general pattern changes, it appears as though leading factors in this industry must depend upon large volume to make better-than-average profits. Probably much the same pattern will govern the agricultural equipment business.

As for building supplies, office equipment makers, railway equipment companies and others in the

machinery field, conditions are too uncertain to warrant detailed conclusions. The most that can be said is that the potential demand for products promises to exert pressure on government representatives to find a satisfactory solution.

So much for studies of individual industries. From the close-up here presented, no more than a cursory examination is needed to support the contention expressed earlier that those groups in which management has tightest control over sources of supplies as well as over labor cost factors appear capable of resisting, successfully, principal adverse influences in the White House wage-price formula.

Now let us turn to a glimpse of the future. What should be the attitude of investors in adjusting portfolios to changed conditions? Perhaps these observations may be helpful in formulating a consistent policy.

It has become evident that for a major segment of American industry we now must lower our sights in projecting probable 1946 earning power. Because the Administration has promised price relief as quickly as practicable, however, and controls eventually should be eased, there seems reason to think adverse influences may be only temporary. Accordingly, even though most first quarter reports are almost certain to fall short of earlier expectations and second quarter statements still may be disappointing, there is hope that before the end of summer operations will be on an upward trend pointing to a prosperous 1947. "Hope springs eternal—" and, as of yore, optimists will be looking to next year for realization of a business boom.

Taking all factors into consideration, the writer wonders whether too much emphasis has not been placed on possible unfavorable influences. Until contradictory evidence is presented, it seems only fair to accept President Truman's promises at face value. There is no reason to doubt his sincerity. Hence, it seems reasonable to think that industry is justified in looking forward to reasonable relief.

This hopeful view seems to be sustained by the advances in steel prices, in grain ceiling quotations and in crude oil. There are indications that compensatory price advances are in store for cigarette manufacturers and fabricators of metal products. Does this not suggest that behind the smoke screen of "hold the line" on prices we are rapidly experiencing another phase of the inflation spiral? In other words, are we not justified in feeling rather confident that both management and labor are merely stepping up to a higher price plateau where previous profit margins may be expected to be restored? In the long run, these questions must be resolved and, in view of the great strength on the demand side of the equation, logic points to eventual re-establishment of normal corporate earning power.

Electrical Equipment Companies

(*Continued from page* 711)

depreciation charges. It is a simple matter to use such a projection to justify current wage-price policies, if anyone cares to accept them at face value, and they are typical of Federal reasoning.

Despite all confusing and discouraging aspects of the situation for the first and probably second quarters of 1946, makers of electric equipment are certain to beat all peacetime records for prosperity when they are fully prepared to supply the huge deferred demand for their products. In many instances, concerns currently well in their stride will suffer little from the interim upheaval, and others are so strongly buttressed financially that interim poor results will soon be forgotten. Facilities of the larger concerns have been thoroughly modernized and technology will assist greatly in holding down operating costs. Probably 50,000 dealers are clamoring for long awaited goods, and with renewed assurance that the national income will meet expectations, the public appetite for electric appliances of every sort should support volume far above prewar. Given record peacetime sales, managerial skill no doubt will find reflection in perhaps above-average net earnings for at least several years after the boom gets under way.

Re-appraisal of Chemicals

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costs may rise significantly, the impact will be less than for most industries. Relief from excess profits and excessive reserves for contingencies accordingly may be broadly applied to widen profit margins rather than merely serving as a partial offset to mounting costs, despite the prospect of continued rigid price controls. Under the circumstances it should occasion little surprise if final net for 1946 shows decided improvement over 1945 and even 1944 figures.

Long maintained policies of the chemical manufacturers to lower prices when profits expand has held dividend distributions to relatively moderate proportions, especially as working capital build-up has also seemed desirable. While such policies may seem detrimental to shareholders, most assuredly they have bolstered the sound fundamentals for which the industry is noted, for in addition to an inherently broad product diversification, a high degree of distribution has been won by the consistent lowering of prices. This adds up to assurance of well sustained dividends even if speculative factors are pushed into the background.

As a result of wartime research, nearly all the important chemical manufacturers see in plastics the greatest opportunities for post-war expansion, as everyone knows. Quite as interesting as the innumerable glamorous items made of this material which are promised to an expectant public are the newly developed techniques in manufacturing which have been developed. By the use of molding powders it has been found possible to produce intrically designed units which if made of metals would require a number of costly operations. Broadly viewed, this circumstance carries tremendous

implications in the current hectic battle against rising manufacturing costs and lends weight to the optimistic predictions of engineers and scientists in viewing the future.

All said, the outlook ahead for the chemical industry discloses much of an encouraging nature. Reconversion has been a minor factor; labor troubles are relatively slight as yet, despite renewed attempts of labor leaders to unionize the industry; tax relief in 1946 should widen profit margins; and demand should trend upward. In combination, these factors point to well sustained prosperity for the larger concerns, along with reasonably assured growth.

While chemical shares, as earlier discussed, enjoy an above-average reputation for relative stability in earnings and dividend disbursements, managements of the leading concerns are not noted for periodic upping of payments in good years. Prospects of obtaining an increased yield in the medium term, accordingly, are not overly bright because volume gains and price reductions for their products are likely to go hand in hand.

Shares of the soundest concerns merit consideration in conservative portfolios where stress is laid on longer term "growth factors," rather than immediate income.

Plan Before You Buy

(*Continued from page* 716)

clothes in everyday use, as well as providing a convenient place for guests' overcoats. A cedar closet for storing clothing out of season will earn you the everlasting gratitude of your wife.

Finally, you may as well become reconciled to the fact that the perfect house has never been built. You will have not lived in your new house more than a few months when you will discover a number of things you overlooked or did not plan for—this despite the most painstaking planning in advance. But if you cannot hope to attain perfection, you can at least come closer by thoughtful planning.

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